

**Division of Developmental Disabilities
Rate Rebase Project
Comments and Questions Submitted by the Public
With Consultant Work Group Responses and Recommendations**

The Division of Developmental Disabilities (Division) released the *Rebase Book 2008*¹ on July 11, 2008. The *Rebase Book* contained the rate rebase recommendations from the Consultant Work Group (CWG) for approximately 27 services. The Division subsequently sponsored six public forums – three for providers and three for consumers and families. The Flagstaff forums were held on August 5, the Tucson forums were held on August 7 and the Phoenix forums were held on August 13.

In addition to soliciting comments during the public forums, the Division also created a special email account to accept comments and questions on the recommended rebased rates. The closing date for submission of comments was originally scheduled for August 31, but was later extended by the Division to September 19, 2008.

Overall, there were 128 questions and 177 comments submitted by the public on the proposed rebase rates. These questions and comments were organized into 16 topical areas, summarized, and restated as 74 separate comments and questions for response. The 16 topical areas are:

- General
- Survey
- Wages and Turnover
- Training
- Employment Related Expenses (ERE)
- Other General Areas
- In-Home Services
- Individually Designed Living Arrangement (IDLA)
- Day Programs
- Developmental Home (Dev Home)
- Habilitation, Group Home (HAB)
- Room and Board, All Group Homes (RRB)
- Professional Services
- Habilitation with Music Component (HAM)
- Enhanced Mileage Rate (EMR)
- Transportation

The pages that follow identify the topical area, and present each summary and response of the questions/comments within the topical area.

¹ The *Rebase Book* is available on the web at
<https://www.azdes.gov/ddd/downloads/vender/rebase/00rebasebookvf.pdf>

General Comments and Questions

1. General – Public Forums – Comments

Several commenters remarked on how informative the presentations were. Other commenters requested additional forums for those that were unable to make the previously scheduled forums, and for more notice to be given to families so that they can attend the forums and share their experience.

General – Public Forums – Response

The CWG felt that the public forums were an excellent tool for explaining the rebase process and the rebase rates to the provider, family and consumer community, and very much appreciated the comments and the questions received as a result of the forums. No more forums are scheduled for the rebase rates originally released in July, but the CWG understands that the Division may schedule forums in the future once the rebase rates are finalized. In the future, the CWG will attempt to give as much notice regarding the forums as possible.

2. General – General Process – Comments

Several comments were received relating to the overall rebasing process. One commenter questioned why the surveys and assumptions were used when DES/DDD has a computer database with information regarding expenditures; another commenter requested that decision makers observe the daily work of providers rather than relying on surveys and models. A comment was received that requested the rates be set at a more realistic level to decrease turnover and increase level of care. Several commenters asked if weather differences had been considered in the models. One commenter requested that any increase in monitoring requirements be directed to those services receiving rate increases. A comment was received that questioned whether service specification changes were incorporated in the rebase. One commenter questioned how Division consumers could be more involved in the rate rebase work. One commenter requested to know when the final decision would be made.

General – General Process – Response

The CWG and the Division relied on the independent model approach in the rebasing project for several reasons:

- The Division's current rates are set through an independent model approach to rate setting
- The independent models offer a mechanism to incorporate provider costs, market rates and Division policy positions into the rate setting process
- The independent model approach offers the maximum amount of transparency to the rate setting (or rebasing) process

The provider survey was used to collect information from providers for use in the independent models. The information solicited from the providers through the survey is not available from the Division's information systems. The information collected through the survey included such items as: wages paid to direct care staff, employment benefits offered by the providers to their

employees, the typical amounts of time in a day that direct care staff is not billable, program support costs, administrative costs, and turnover of direct care staff.

The information collected from the provider survey and other independent data sources is factored into the independent models. The exact values of the information included, together with the specific construction of each independent model, are influenced by an understanding of how each service operates and is delivered. It is necessary to use the provider survey and independent models to derive a quantitative rate for the service. The CWG believes that the rebase rates resulting from the rebasing process (and as modified in response to the comments and questions from the public) are realistic reimbursement rates for the services purchased by the Division.

Neither the independent models nor the resulting recommended rebase rates addressed the weather differences throughout the state of Arizona. It was generally felt that the different areas of the state have offsetting weather influences on the operating costs associated with the delivery of Division contracted services.

There is no specific increase in monitoring requirements associated with the rebased rates. The CWG understands that the Division attempts to monitor all the services delivered to the Division's consumers at the same level.

The rebase process was designed to rebase the rates for the current service specifications -- as a general rule, there are no service specification changes required to implement the rebased rates. If service specifications must change because of the rebased rates, those changes will be made as amendments to the RFQVA and posted on the Division's web site.

The Division's consumers can participate in the rebasing process by submitting comments and questions to the Division.

The Division's final decisions with respect to the rebase rates will likely be made before the end of the current fiscal year.

3. General Rates – Positive – Comments

Several comments were received that appreciated the general increase in the rates. One commenter appreciated a raise in rates due to the high gas prices, driving demands, and difficulty in recruiting new providers. One commenter appreciated the increase for In-Home services and the changes to respite. Another commenter stated that they appreciated the work done to obtain the new rates and how transparent the process was.

General Rates – Positive – Response

The rebasing process was undertaken without any preconceived results or "targets" – it was designed to be an objective assessment of the adequacy of the current rates paid by the Division.

4. General Rates – Negative – Comments

One comment was received that expressed general disappointment that any rate was decreased, as any decrease would cause increased turnover, and also suggested that the rate differential for multiple clients be removed.

General Rates – Negative – Response

The rebasing process was undertaken without any preconceived results or “targets” – it was designed to be an objective assessment of the adequacy of the current rates paid by the Division.

Comments and Questions Related to the Survey

5. Provider Survey – General – Comments

A number of commenters suggested that an insufficient number of surveys, not district specific, were used in the rate rebase proposal. Various other concerns about the provider survey were expressed including:

- Large providers were over represented
- Rural providers were under represented
- Providers were not made aware of the ramifications of the survey
- The complexity of the surveys decreased participation.
- Survey data is ‘outdated’ since it was collected last year

Provider Survey – General – Response

At the onset of the rate rebase effort the Division and the CWG recognized that a provider survey would provide a significant amount of information to the process. As a result, the Division insisted that there be significant effort to involve providers, including but not limited to the Arizona Association of Providers for People with Disabilities (AAPPD).

To that end, the CWG took several steps to ensure provider involvement and participation in the process:

- On or about May 2, 2007 approximately 10 separate providers (both AAPPD members and non-members) were distributed a draft copy of the survey and its instructions. On May 7, 2007 the Division and the CWG met with the providers and a representative from the AAPPD to solicit feedback on survey content. During the meeting the AAPPD representatives and some of the providers suggested additions to the survey to collect additional information, and no suggestions were received to streamline or reduce the amount of information solicited by the survey. Revisions were made to the draft survey based on the meeting.
- On May 25, 2007 a final version of the survey and instructions was distributed to the provider contacts contained in the QVADS system. The QVADS list only included agency providers that were providing one or more of the services to be rebased. No independent providers were included in the distribution. In total, surveys were distributed to 233 provider organizations.

- There were a limited number of organizations that the CWG could not confirm had received the survey (approximately 29). The Division's central office contacted the districts who in turn contacted providers in an effort to update email addresses. For those providers for which the CWG could obtain updated email addresses, surveys were sent.
- On June 1, 2007, emails were sent to all QVADS listed (or updated) providers informing them that a survey had been sent on May 25 and that a meeting to review the contents and instructions for the survey would be held on June 7.
- On June 7, 2007, a meeting was held to review the instructions and survey; the meeting was attended by approximately 40 provider representatives.
- On June 12, 2007, as a result of the meeting with providers, revised instructions and revised survey schedules were distributed to all providers on the mailing list together with a list of "Frequently Asked Questions".
- On June 19 2007, a reminder email was sent to all providers informing them of the impending deadline for return of the completed surveys (June 25) and reminding providers that a helpline was available to answer questions, both through email and through phone contact.
- Throughout the time the survey was in the field, AAPPD was informed of the providers who had completed and returned the survey. The assistance of that organization was sought to increase the return rate of the survey.
- The Division decided to extend the original due date of June 25, 2007 to July 24, 2007 because of responses to the June 19th reminder. Several providers responded that they would complete the survey, but could not do so by the June 25, 2007 due date. As of the data collection cut off date (July 24, 2007), only 25 completed surveys had been received. In addition, seven providers submitted incomplete responses that were excluded from analysis.

In addition to these efforts, Division representatives frequently discussed the provider survey and the rebase process at the AAPPD meetings that they attended prior to and during the survey period. The CWG feels that it, together with the Division, made significant efforts to engage the providers in the survey and data collection process, and if an insufficient number of rural and or small providers failed to respond, it was not because the providers were unaware of the survey.

In designing the survey, particular attention was devoted to the administrative burden that the survey might impose on the providers and the survey was designed – to the extent possible – to minimize the effort required to complete the survey. Features in the survey included: automatically copying information entered in one schedule to other schedules (e.g. provider name, job titles) and collecting information on an organization-wide basis. The complexity of the survey was discussed at length during the meeting with providers that reviewed the draft survey. As previously indicated, the result of that discussion was the inclusion of additional informational items in the survey and no suggestions for simplification.

At the time the survey was finalized, it was the consensus of the Division, the CWG and the providers consulted that separately collecting information based on place of service (rural vs. urban) would add too much additional complexity to the instrument. As a result, the survey was not constructed to separately collect rural versus urban information.

The results from the provider survey were trended from 2007 to January of 2009 to be consistent with the other components of the rebase model.

6. Provider Survey – Music – Comments

Two commenters reported that they were told that the Provider Survey that they completed did not include information about Specialized Habilitation with Music Component (HAM) services, but that a survey to address those services would be forthcoming. One commenter inquired as to when such a survey would be conducted and the other requested that a separate survey be conducted before the rates are finalized. Both reported the rebased rates do not accurately represent the services and that a survey would have provided accurate information about the cost of the services. Another commenter indicated she did not believe HAM providers were surveyed as part of the provider survey and that information about HAM services provided to the Division does not appear to be available to or used by the CWG.

Provider Survey – Music – Response

Ultimately, the CWG recommended to not develop an entirely separate survey instrument specifically for HAM. Two HAM providers did fill out and return the provider survey and their responses were reviewed and taken into consideration by the CWG. The proposed HAM rate model is designed to be similar to the in-home Habilitation Support model (HAH), for which there was plenty of survey data available. The HAM rebase model contains wage and certain other productivity adjustments to reflect the HAM service specifications.

7. Provider Survey – Day Treatment, Adult – Comments

One commenter questioned if the Day Treatment, Adult (DTA) providers in the survey primarily provide DTA services or if the providers in the survey participate in several services. Additionally, concerns were raised that the survey did not distinguish between urban and rural providers.

Provider Survey – Day Treatment, Adult – Response

Most DTA providers who completed the survey have multiple lines of business with the Division. All providers who completed the DTA portion of the survey also completed at least one other survey category (for example, Transportation associated with Day Treatment). There was only one provider (based in Tucson) responding to the survey whose business is over 75% DTA.

As mentioned above, the survey was not constructed to separately collect rural versus urban information. To the extent that providers submitted data from rural operations, those data were included in the CWG's analyses and evaluated individually where possible.

8. Provider Survey – Developmental Home – Comments

One Commenter questioned how many developmental homes were surveyed in the rate rebase project. Concerns were also raised in the case of development home data that the survey did not distinguish between independent homes and qualified vendor supported homes.

Provider Survey – Developmental Home – Response

The commenter(s) are under the impression that developmental homes – in contrast to the agencies that recruit, monitor and support developmental homes – were surveyed. This is incorrect. Individual developmental homes were not surveyed. The only entities that received the provider survey documentation were the qualified vendors that support developmental homes.

In state fiscal year (SFY) 2006 there were 19 agencies that supported child developmental homes and 19 agencies that supported adult developmental homes. All of these providers were invited to participate in the survey. In terms of responses to the survey, 6 of the children's agencies (accounting for approximately 20% of the utilization) and 7 of the adult's agencies (accounting for approximately 45% of the utilization) responded to the survey.

Comments and Question Related to Wages and Turnover

9. Wages – General – Comments

Several comments were received regarding the wage amounts included in the models. One commenter questioned the philosophy used to set the rebase wage levels. One commenter noted that it would be difficult to hire employees for HCBS services at different wage levels (referring to the higher wages for habilitation than for attendant care). Other responders stated that the wages reported on the surveys were only what respondents could afford to pay, or that any providers paying higher than average wages would suffer a hardship if rates were lowered. Finally, one commenter questioned whether the wage levels used accounted for the task differences between supervisors and employees.

Wages – General – Response

The general philosophy used to set the wage levels included the following elements:

- Establishing a wage level for each service that reflects the skills required for that service
- Establishing similar wage levels for services that require similar skills, and conversely, distinguish wage levels between services where the direct care staff skills for services are different
- Derive wage levels from publicly available information (i.e., the U.S. Bureau of Labor Statistics² or “BLS”) so that the derivation of wage levels is transparent
- Utilize the mean BLS wage levels as to reflect the market wages

As reflected in the above outline of the philosophy used to establish wage levels, the wages set for the different services reflect the differences in direct care staff skills (predicated on service delivery specifications) required for each service. The Division has established four different

² The specific source for information was obtained from: May 2006 State Occupational Employment and Wage Estimates, Arizona, website http://www.bls.gov/oes/2006/may/oes_az.htm

home-based services including housekeeping, respite, attendant care and habilitation. The service specifications for these services reflect a higher skill level for direct care workers involved in habilitation than the skill level required for the delivery of respite and attendant care. The CWG has reflected this difference with different wages in the rebase models. The CWG expects that providers will supply the direct care staff for habilitation services that have the skills required by their agreement with the Division.

With respect to the survey reported wage levels, the CWG recognizes that providers must budget available funds to all expense categories in order to remain viable. The purpose of the rebase is to examine whether or not the existing rates are adequate to cover the necessary expenses. In most cases, the wage levels included in the proposed rebase models are in excess of the wage levels reported by the providers in the survey.

In setting the wage levels for use in the rebase models, the CWG was guided more by market wages than by the wages actually paid by providers. If a particular provider pays wages in excess of market, it is expected that the provider will accommodate this higher than market expense with a reduction in some other element of expense. Considering that most rebase rates are significantly higher than the existing rates, it is not the impression of the CWG that any unique hardship will be placed on providers that currently pay wages higher than those reflected in the survey or included in the rebase models.

With respect to the comment questioning whether the CWG recognized the difference between supervisors and employees, the answer is yes, this difference was considered. The consideration came in two forms: first, the wages included in the rebase models were compared to the survey response wage levels that included both supervisors and employees (and in most cases were higher than the survey response levels), and; second, in the construct of the models, supervisor wages were in fact accounted for in the newly added “program support” component of the rate rebase models.

10. Wages – Overtime – Comments

Several commenters questioned the process used to determine wage levels with respect to overtime.

Wages – Overtime – Response

The impact of overtime was considered in setting the wage levels of direct service staff. In general, as reported in the summary of results of the provider survey, overtime does not impact the wages in a significant manner for any service. For example, the table that follows depicts the survey results for direct care wages with and without overtime. The table also illustrates the inflation adjusted value of the direct care wages (with overtime) reported in the survey and the proposed rebase model wages.

Comparison of Wage Levels – Survey Results and Proposed Rebase Models

Service Category	Survey Combined Non-Supervisors, Supervisors, both Without Overtime	Survey Combined Non-Supervisors, Supervisors, both With Overtime	Survey Combined Non-Supervisors, Supervisors, both With Overtime, With Inflation Adjustment	Rebase Model Wage
Attendant Care	\$10.30	\$10.37	\$10.79	\$10.66
Habilitation, Support	\$10.47	\$10.52	\$10.94	\$12.26
Housekeeping	\$11.00	\$11.00	\$11.44	\$9.46
Respite	\$10.51	\$10.56	\$10.98	\$10.66
HIDLA	\$9.68	\$10.09	\$10.50	\$12.26
Adult Day Treatment	\$9.32	\$9.54	\$9.92	\$11.73
Child Day Treatment	\$9.88	\$9.92	\$10.32	\$11.73
Developmental Home Child	\$17.51	\$17.51	\$18.21	\$17.70/\$16.52
Developmental Home Adult	\$14.75	\$14.75	\$15.34	\$17.70/\$16.52
Hab, Community Protection	\$9.18	\$9.47	\$9.85	\$13.49*
Hab, Group Home	\$9.16	\$9.53	\$9.91	\$12.26
Nursing	\$20.08	\$20.84	\$21.68	\$23.05

* Wage illustrated is for hourly Community Protection

In summary, the wages selected for use in the rebase models generally exceeded the wage levels reported in the provider survey – when the survey reported wage levels are composed of employee and supervisor wages *inclusive of overtime*. Therefore, the CWG has not recommended any additional overtime factor be included in the rates.

11. HAB – Overtime – Comment

Commenters questioned why overtime was not included into the Group Home rebase model because of the job duties associated with the services provided.

HAB – Overtime – Response

As previously indicated, the wages used in the rebase models were compared to the wage levels reported by providers in the survey that included employees, supervisors and overtime. In the case of HAB Group Homes, the wage level in the rebase model is \$12.26 while the survey response was \$9.91 on an inflation adjusted basis. Additionally, the rebase model is premised on no use of overtime and full ERE amounts are included for all the hours worked.

12. Wages – Turnover – Comment

Many commenters questioned how turnover was accounted for in the rebase models with some suggesting that the costs associated with turnover were not considered.

Wages – Turnover – Response

The impact of turnover was considered in the formulation of the rebase rate models, although a specific factor was not included in the model to reflect the costs of turnover. The CWG concluded that turnover would have the following implications on the expenses of the providers:

- Decrease wages because of the preponderance of entry level staff
- Decrease the cost to providers for benefits because of waiting periods for employees to receive benefits
- Increase the cost to providers for some components of benefits, for example FUTA, because the taxes are levied on the first \$7,000 in wages
- Increase the costs of training because an employer would be required to perform more initial training to more employees to orient the new employees to the working environment
- Increase the costs for recruiting employees because of additional recruiting efforts (e.g., newspaper ads, etc.) as well as the need for additional recruiting staff

Rather than addressing the symptoms of turnover with a specific factor, the rebase models addressed the causes of turnover –assumed to be wages, benefits, training and career path – by including in the models:

- Wages based on the mean market wages that are generally higher than those reported by the providers participating in the survey.
- Employee related expenses (ERE) based on all employees qualifying for all benefits from the first day of employment – even though almost all providers indicated there was a waiting period for qualifying for paid time off and health insurance, and also indicated that these two benefits were not generally available to part time employees.

During the rebase process, an estimate was performed as to the impact to ERE percentages had a 20% turnover rate assumption been used. The result of that estimate was that ERE as a percentage of wages would generally be reduced by 4 to 6 percentage points. The Table below summarizes the results of this analysis:

Nature of ERE Calculation	ERE Amount at \$9.00 Wage Level	ERE as % of \$9.00 Wage Level	ERE Amount at \$12.00 Wage Level	ERE as % of \$12.00 Wage Level	ERE Amount at \$17.00 Wage Level	ERE as % of \$17.00 Wage Level
Calculated Without Turnover	\$7,414	39.61%	\$8,601	34.46%	\$10,578	29.92%
Calculated With 20% Turnover	\$6,291	33.61%	\$7,358	29.48%	\$9,135	25.83%

The impact of turnover to the FUTA/SUTA payments was also examined and found to be negligible. The FUTA/SUTA impact was judged to be negligible because, based upon the FUTA/SUTA rates reported by providers in the survey (0.53% on \$7,000 of wages), total FUTA/SUTA payments averaged approximately \$37 per employee. Since the total amount

of ERE expenses ranged from approximately \$7,400 (at a \$9 per hour wage) to \$10,600 (at a \$17 per hour wage), additional increments of \$37 were insignificant.

- Elements of career progression. For example, the rebase models provide for an increase in wages from attendant care to day programs to habilitation.
- A factor for annual staff training.
- A new factor for program support.

Comments and Questions Related to Training

13. Training – General – Comments

Commenters reported that the training time built into the model is inadequate for staff to meet both state and provider required training (some commenters citing their experiences) and some commenters indicated the rebase model does not account for the training time required for new hires. One commenter suggested providers may have underreported training because the providers misunderstood the relevant questions in the survey.

Training – General – Response

The 40 hours per year of training time included in the rebase models was, for most services, generous when compared to the responses included in the provider survey. Training data was solicited in two different areas of the survey for each of the 21 services surveyed. In one area, 17 services had training data reported, with 4 of the services reporting training in excess of the amount included in the rebase models. In the other area where training was reported, 16 services had data reported, with none of the services reporting training in an amount in excess of the amount included in the rebase models.

After the publication of the proposed rebase rates, AAPPD collected training data from 33 of its member providers and requested that the CWG examine the data and reconsider the amount of training included in the rebase models. The AAPPD data was reviewed with the following findings:

- The overall average amount of training time for newly employed direct care staff (weighted by the Division revenue received by the provider for SFY08) was 88.7 hours. Excluding outliers (calculated as a data point that was greater or lesser than the average plus or minus two standard deviations), the weighted average fell to 71.5 hours. Of the 33 provider agencies reporting data through AAPPD, 12 also reported data on the provider survey. For these 12 providers, the weighted average of training hours reported on the CWG provider survey to direct service employees in the first year of employment was 42.9 hours.
- The AAPPD data revealed that training was provided in 48 individual topic areas, of which 23 topic areas were provided by more than one-half of the 33 reporting agencies. The weighted average first year training provided for these 23 topic areas was 83.4 hours. Excluding outliers, the weighted average fell to 66.7 hours.

- The data also indicated that the weighted average amount of training for the second year of employment was 48.1 hours, both with and without outliers.

Based upon the additional supporting data provided by provider agencies, the rebase models have been revised to include 55 hours of training within most rebase models and 65 hours for Habilitation, CPT services.

14. HAB – Training – Comment

Commenters stated that the amount of training hours included in the Group Home rebase model is not sufficient, and providers were being surveyed by their association.

HAB – Training – Response

As indicated in response to a previous comment with respect to training, the information on training collected by AAPPD was reviewed. As a result, the base training amount for all the models has been moved from 40 hours per year to 55 hours per year.

15. Training – AHCCCS – Comments

One commenter questioned whether the new training programs to be initiated by the Arizona Health Care Cost Containment System (AHCCCS) in October of 2009 were provided for in the rebase models.

Training – AHCCCS – Response

The planned implementation of the AHCCCS base training for direct care service staff is 36 hours, with an additional 4 hours for orientation to developmental disabilities. The amount of training included in the rebase models exceeds this base training amount.

Comments and Questions Related to Employment Related Expenses (ERE)

16. ERE – General – Comments and Response

Several comments were submitted regarding the ERE percentage used in the rebase models. The Table below depicts the essence of these comments and the responses to those comments.

Comment/Question	Response
Whether an anticipated 8% increase in workers compensation rates was accounted for in the models	The impact of this potential change was considered. It is estimated that the impact of this potential increase in workers compensation would produce less than a 0.2% change to the ERE percentage rate. In as much as the average workers compensation rate used in the ERE calculation was 1.75% of wages, the 8% increase in the workers compensation rate would equate to \$26 at a \$9.00 wage level, \$34 at a \$12.00 wage level and \$40 at a \$17.00 wage level.

Comment/Question	Response
<p>Providers reported higher ERE percentages than the percentages included in the rebase models</p>	<p>It is believed that many of these comments were drawn from the Provider Cost Survey Final Report, page A-8. The data displayed on this Table indicated that the results of the provider survey were that ERE rates ranged from approximately 41% (at a \$9 per hour wage level) to 32% (at a \$17 per hour wage level). The ERE rates included in the rebase models are 34.5% (for wages less than \$17 per hour) and 30% (for wages greater than \$17 per hour).</p> <p>It is important to note that the data on page A-8 of the survey final report was based on the data reported on page A-6. The data on page A-6 shows the reported amount of benefits, the numbers of providers offering the benefit, and in some instances, the participation levels of employees in the benefit.</p> <p>The A-8 data reports all benefits offered by the providers, regardless of the number of providers offering the benefit and/or the participation levels of employees. As a result, the A-8 data is a picture of the <i>cumulative</i> benefits offered by the providers, not the benefits offered by the typical provider. For example, on page A-8, the ERE includes costs for retirement (even though less than 40% of employees participate) and the cost for vision (when less than 20% of the providers offer the benefit). The ERE rates used in the rebase models (depicted on page A-10) better reflect the typical benefits package offered by providers.</p> <p>In recognition of the fact that some providers offer benefits such as vision or dental coverage while others do not, the CWG added \$30 per month to the ERE calculation for “Other Benefits” that the providers may choose to offer.</p>
<p>How the rebase ERE percentages compare to the State’s ERE percentages</p>	<p>The Provider Cost Survey Final Report includes the ERE profile for the State of Arizona on page A-7. The State’s ERE percentages are considerably higher than the amounts included in the rebase models. This is largely due to the amount the State provides for PTO, retirement and health insurance.</p>
<p>Providers would like to offer better benefit packages than they currently offer</p>	<p>The CWG appreciates the comment and has strived to account for a competitive benefit package in the rebase models, as well as providing for all other expenses incurred by the provider community.</p>

Comment/Question	Response
Because providers pay less than \$12.00 per hour, the ERE percentage should be higher	The ERE percentage rates used in the rebase models are a function of the wages included in the rebase models, not the wages paid by providers. With a generally higher wage rate and the 34.5% general ERE rate, the impact to the final proposed rate is greater than using a generally lower wage rate and a somewhat higher ERE rate.
ERE rates should increase, not decrease as wages increase	Many of the factors of the ERE rate are percentages of the wage rate (e.g. FICA, PTO). However, the health insurance benefits are stated as a flat cost per employee. This flat cost increases in percentage terms as the wage level decreases, and decreases in percentage terms as the wage level increases. The rebase models appropriately account for the change of the ERE percentage as the wage levels increase.
Retirement benefits should be included in ERE	The provider survey indicated that while a majority of the providers do provide a retirement benefit (either a defined benefit or 401(k)/403(b) plan), only about 35% of the employees participate in the plans. Since the rebase rates are to apply to all providers in the state, this low level of participation in retirement programs did not warrant the inclusion of the benefit in the ERE calculation.
Unique ERE rates should be used for each unique wage level in the rebase models	The CWG appreciates the comment and acknowledge that ERE rates could differ according to the wage levels included in each service's rebase model. However, for the sake of simplicity, the rebase models use only two ERE levels – one for wages levels under \$17 (at 34.5%) and one for wage levels over \$17 (at 30.0%).
Because of turnover, the FUTA/SUTA rate should be higher	An analysis of the impact of turnover on the FUTA/SUTA costs was performed. Based on the FUTA/SUTA rates reported by providers, the total payment per employee (given the tax base of the first \$7,000 in an employee's wage) is \$37 per year. Since the ERE rate was based on approximately \$8,600 of benefits, it was concluded that turnover would have a negligible impact on the ERE rate. This conclusion was reinforced when the potential savings to ERE caused by turnover (because of the waiting periods generally imposed by employers) were considered.

17. ERE – Health Insurance – Comments

Several of the commenters noted that the cost of health insurance was significantly understated in the rebase models. More specifically, commenters noted that the cost of health insurance per employee is greater for smaller firms, with suggestions being made that the rate range from \$297 to \$661.

ERE – Health Insurance – Response

The health insurance cost information was largely based on the amounts reported in the provider cost survey. Providers reported information with enrollments ranging from 7 to 250. The final costs used in the rebase models were derived based on a formula that weighted the larger providers more heavily than the smaller providers.

As a point of reference, the rebase models contain an employer's contribution of \$288 per month per employee. The existing rate models use an employer's contribution (adjusted for inflation) of \$182 per month per employee.

Deriving the "appropriate" cost of health insurance is difficult, because the cost to the employer is a function of a number of decisions that the employer makes, including the "richness" of the benefit package, and the amount of cost that the employer is willing to absorb both for the employee and for any dependent coverage. The cost is also influenced by the size of the group, the underwriting characteristics of the group, the location of the group, and the number of employees that participate in the coverage. It would be difficult to distill all of these factors to derive an "appropriate" cost for health insurance. In lieu addressing all of these variables, the rebase models include the average costs reported by providers weighted by the Division revenue of the providers.

Comments and Questions Related to Other General Areas

18. Program Support Costs – General – Comments

A significant number of commenters felt the proposed program support percentage was too low. Several commenters were interested in why the percentage allocation for program support and administration was set at a lower rate than what was reported in the returned surveys. Several of the commenters stated that the proposed percentage for program support would not allow providers to properly address quality issues or allow the organization to keep up with Division revisions of policy and reporting. One commenter suggested that the full amount of program support should be included in the rate and allow the benchmark/adopted mechanism to adjust the rate if necessary.

Program Support Costs – General – Response

The results of the provider survey indicated that the indirect or program support cost of the providers was approximately 9.4%. The rebase models included a factor of 4% for program support. The survey instructions indicated that the expenses to be included in the amounts reported under program support (or indirect) costs were such items as program supervision, program support, training, billing and medical records expenses.

The CWG made the recommendation to the Division to use the 4% factor for program support in the rebase models based on several considerations:

- The current models employed by the Division do not have any allowance for program support

- “Sister” agencies in the State use an independent rate model structure that is very similar to the current models employed by the Division, and none of these sister agency models utilize a program support factor
- Policy makers may question the credibility of the entire independent cost model approach if the combined program support/administrative costs of the models exceeded 22% (the amount reported in the provider survey). As a point of reference, the administrative portion of the capitation rates approved for the Division have been declining since 2006. In 2006 the administrative portion of the capitation rate was 7.5%; in 2007 the administrative portion declined to 6.9% and for 2008 the administrative portion was 5.8%.
- The Centers for Medicare and Medicaid Services (CMS) provides a guideline range of 8% to 12% for administrative costs, profit and risk when evaluating capitation rates paid to Medicaid managed care entities

19. Program Support Costs – Day Treatment – Comments

Several commenters noted that Program Support costs for day treatment programs are different from other services, such as in-home services, due to the unique nature of a day treatment program. Additionally, commenters felt that program support costs have increased in the last five years due to new Division initiatives, QVA amendments, operational interfacing with the Division, the establishment of FOCUS, support coordination functions, development of personnel, system infrastructure, mandatory trainings from the Division to maintain credentials, staff development plans, attendance at conferences, disability specific in-service trainings, billing, authorizations, etc. During the comment period, AAPPD collected and submitted additional program support cost information for Day Treatment providers.

Program Support Costs – Day Treatment – Response

As noted above, the results of the provider survey (for all services) indicated that the indirect or program support cost of the providers was approximately 9.4%. As also discussed above, the rebase models included a factor of 4% for program support. Compiling the additional AAPPD supplemental data indicated that more than 14 percent of Day Treatment, Adult service is currently being spent on program support. However, the additional data was not distinguishable by business line and the CWG expects that the costs reported should be spread over several services (e.g., transportation, children’s day treatment program, etc.). Additionally, some of the reported costs were not appropriately categorized as program support (most commonly, the costs were actually administration costs) and other costs were outside of the necessary costs associated with providing day treatment programs as defined by the Division’s service specifications. As such, the CWG was not compelled by the supplemental data to alter to original program support assumption of 4%. However, as a result of the additional data received and other feedback during the comment period, the CWG re-evaluated other cost components of the day program models. More information on these components is provided in the ‘Comments and Questions related to Day Programs’ section beginning on page 22 below.

20. Administrative Costs – General – Comments

As with program support, a number of commenters indicated the rate for organizational administration in the proposed rebase rate is too low. Most commenters suggested the rate be increased to the level reported in the provider survey.

Administrative Costs – General – Response

The results of the provider survey indicated that the administrative cost of the providers was approximately 12.2%. The rebase models included a factor of 10% for administration. The survey instructions indicated that the expenses to be included in the amounts reported under administrative costs were such items as compensation of officers, admin staff, legal and accounting, advertising, and interest expenses.

The CWG made the recommendation to the Division to use the 10% factor for administration in the rebase models with one change: rather than the methodology utilized in the current models (where administrative expenses are a function of all but transportation costs and results in an expense that is approximately 8.5% of the total rate), the methodology should provide for an administrative factor that produces a true 10% of the rate. The CWG recommendation of a 10% factor for administration was based on several considerations:

- “Sister” agencies in the State use an independent rate model structure that is very similar to the current models employed by the Division, these models all use 10% for administrative costs, and all of these models calculate the administrative costs in a manner that produces less than a full 10% adjustment to the final rate
- Policy makers may question the credibility of the entire independent cost model approach if the combined program support/administrative costs of the models exceeded 22% (the amount reported in the provider survey). As a point of reference, the administrative portion of the capitation rates approved for the Division have been declining since 2006. In 2006 the administrative portion of the capitation rate was 7.5%; in 2007 the administrative portion declined to 6.9% and for 2008 the administrative portion was 5.8%
- The Centers for Medicare and Medicaid Services (CMS) provides a guideline range of 8% to 12% for administrative costs, profit and risk when evaluating capitation rates paid to Medicaid managed care entities

21. Mileage Costs – General – Comments

Several commenters objected to the use of the state approved mileage rate of 44.5 cents per mile and suggested the use of the federal rate of 58.5 cents per mile, especially given the current high gas prices and the true cost of providing service.

Mileage Costs – General – Response

The CWG recommended to the Division that the State mileage rate be utilized in the rebase models. The CWG felt the Division should take direction from the State Legislature on this matter given that the Legislature has the ability to modify the rates. The State faces the same cost pressures as the Division’s providers with respect to fuel costs, and the policy of the State is to stay with a mileage rate of 44.5 cents per mile. As part of this recommendation, the CWG also recommends that should the State rate change, the mileage factor included in the rebase model also change.

22. HAM – Mileage Distance – Comments

One commenter expressed concern that the mileage allotment (30 miles per day) does not accurately reflect driving patterns of workers who serve areas where the clients are more spread out.

HAM – Mileage Distance – Response

The calculation of travel time and mileage was standardized across all rebased services to correct current inequities in the different models. All rebased rate models now utilize a more consistent mileage and travel time pattern. The structure of the HAM rate model is based on the hourly Habilitation Support model (HAH), which allocates 15 miles per shift for travel mileage between clients. The HAM rate model doubles that amount to account for a relatively smaller available workforce for that service. No alternative rates were developed for more “spread out” clients.

23. Other Adjustments – Rural – Comments

More than one commenter criticized both the survey and the rebase rates for not having segmented rural and urban areas due to the increased cost of providing services in different areas.

Other Adjustments – Rural – Response

One factor that was considered in the design of the provider survey was the overall complexity of the instrument. It was deemed desirable (by the CWG, the Division and the small group of providers that tested the instrument) to keep the survey instrument as simple as possible but gain as much information as possible. With respect to the collection of data on a rural versus urban basis, it was decided that this would add too much complexity to the survey. The complexity would arise from the fact that many providers operate in both the rural and urban areas of the State and the differing opinions on what constituted “rural” – e.g., is Kingman rural, is Flagstaff? As a result, the provider survey did not separately collect information on a rural/urban basis.

However, in formulating the rebase models, consideration was, in some instances, given to the differences between rural and urban providers. As a result, the rebase models for Nursing, Group Home Room and Board, Day Program and Day Program Transportation all have separate features that address differences encountered by rural and urban providers.

24. Other Adjustments – Profit/Growth – Comments

One commenter noted that the rebase model should include a reinvestment reserve in order to facilitate growth of provider services. Other commenters questioned why a profit margin line item was not included in the model.

Other Adjustments – Profit/Growth – Response

The CWG understands that it is Division policy to not fund the capital and other program expansion requirements of the provider community, and therefore no consideration was given to adding a factor for a “reinvestment reserve”. Similarly, the CWG understands that it is Division policy to not provide a profit factor in the rate setting process. The CWG is recommending rebase rate models that estimate the costs faced by providers in delivering services, and it is up to the entrepreneurial and management acumen of the providers to deliver the services contracted for and to generate necessary profits or surpluses.

Comments and Questions Related to In-Home Services

25. In-Home Services – Wages – Comments

One commenter expressed general concern about wages for all the In-Home Services. The commenter agreed that Attendant Care and Respite wages should be the same, but that in both cases, the wage is too low. The commenter expressed that the wage should not be lower than the inflated provider survey response of \$11 per hour, and that these workers also perform habilitation.

In-Home Services – Wages – Response

The wages in the proposed rate models for Attendant Care and Respite reflect the same BLS wage category (Personal and Home Care Aides) as the current model. The service specifications for those two services are substantially different from the specifications for Habilitation, Support (hourly), and the rebase models reflect that difference.

26. In-Home Services – Mileage – Comments

One commenter expressed concern that the Attendant Care, Respite and Habilitation rates do not include mileage. The commenter indicated these workers take consumers to various places (e.g., doctor appointments, shopping, church), and suggested the mileage rate should be set at the federal allowed mileage reimbursement rate of 58.5 cents.

In-Home Services – Mileage – Response

The proposed rate models do not include within-program mileage reimbursement for these services. However, time spent transporting clients is billable by the provider at the full rate, and therefore the CWG felt this time was being adequately compensated. In addition, the providers should help the client learn to utilize public transportation whenever possible and practical in order to increase their independence and integration into the community.

27. In-Home Services – Rural Modifier – Comments

One commenter suggested implementing modifiers for rural and “extremely rural” areas, to ensure providers are adequately compensated for time and travel. The commenter also expressed general concern about the mileage rate, program support and administration components of the rates.

In-Home Services – Rural Modifier – Response

The CWG is not recommending modifiers in the rate system for In-Home Services at this time as the rates developed reflect a state-wide average of expected expenditures. As noted above, the mileage rate is equated with the personal mileage reimbursement rate for State of Arizona employees, as determined by the Department of Administration and the Legislature.

28. Respite – Long-Term – Comments

Three commenters expressed concern about the long-term respite rate, suggesting instead separate rates for whether the caregiver is awake or asleep. One commenter suggested that the analysis of respite usage was skewed by including agency providers, who rarely provide respite

services for more than 12 hours. The commenter requested a separate analysis of respite usage including only independent providers, believing it would provide a more accurate display of respite usage.

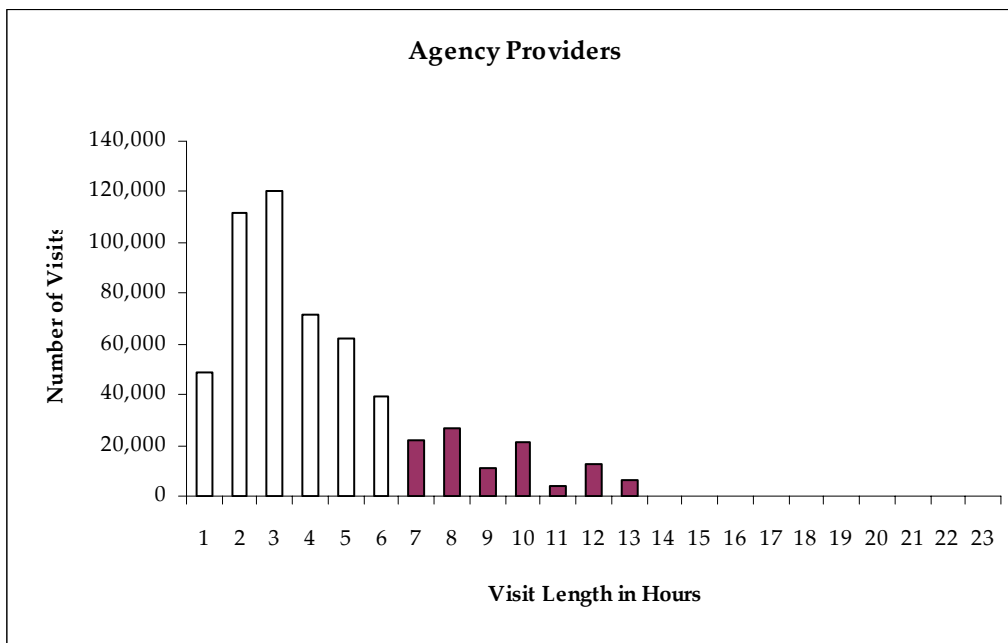
Respite – Long-Term -- Response

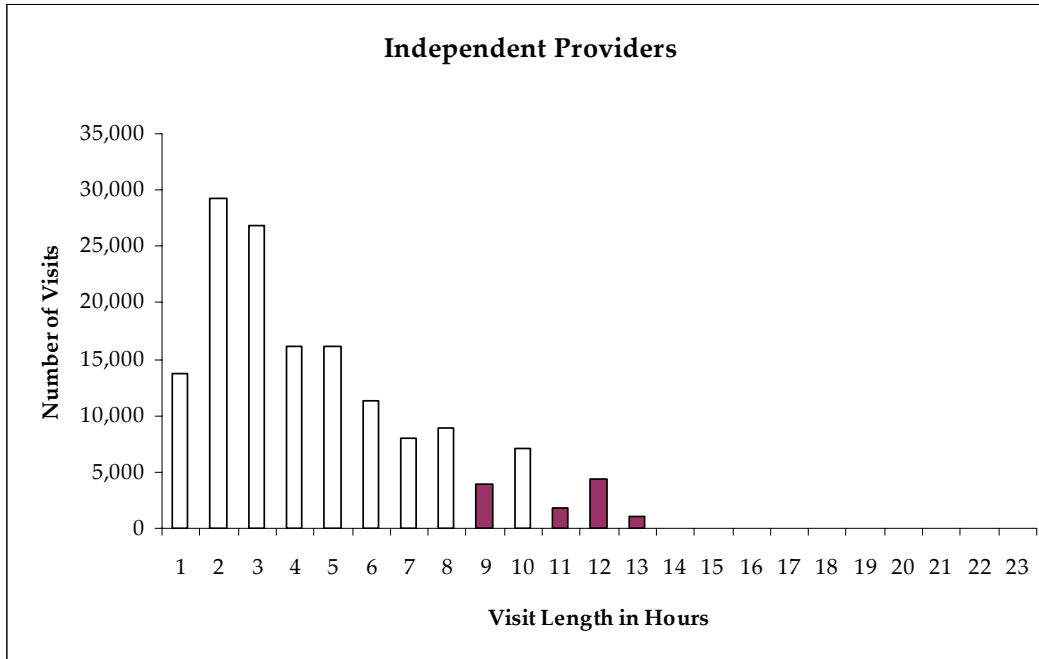
The proposed rates for both the short-term and long-term respite services represent significant increases over the current rates, particularly for long-term respite provided for a 24-hour period. Families have reported to both the Division and to the CWG that they are having a difficult time finding 24-hour respite services under the current rate; therefore, the Division requested the CWG to develop respite rates that would encourage providers to offer 24-hour respite services. The Division also requested that there be one hourly rate for short-term respite and one hourly rate for long-term respite, without using complicated “stair step” or “sleep time” rates schemes which would add complexity to reporting and be difficult to implement effectively. The proposed rates reflect the best effort of the CWG to satisfy both of those directives.

The CWG is aware that if a provider works for 9 or 10 hours in a day providing long-term respite, it will result in a lower total payment than if the provider had only worked for 8 hours under the short-term rate. However, an examination of the utilization of respite services in the Division’s claims data showed that actual utilization of this length of service in respite is very rare. The Division’s goal for respite in the rebase is to encourage either short-term respite of 8 hours or less, or 24-hour respite and the CWG’s proposed models achieve this.

The utilization of respite services over a full fiscal year was examined by the CWG for both agency and independent providers. The distributions of visit length for each of those two groups were not substantially different as shown in the exhibits below.

**Comparison of the Distribution of Short-Term Respite Visit Length
Agency Providers vs. Independent Providers
SFY 2007**





29. Housekeeping – Program Support – Comments

One commenter indicated that program specifications for Housekeeping require monitoring and, therefore, the rate should include program support.

Housekeeping – Program Support – Response

The rate for Housekeeping reflects the service specifications set forth by the Division. Authorization and utilization of this service is extremely limited.

Comments and Questions Related to Individually Designed Living Arrangement (IDLA)

30. IDLA – Transportation – Comments

Several commenters suggested that the rate for Habilitation, Individual Living Arrangement (IDLA), for both the hourly and daily service include a factor for transportation of consumers to various activities /opportunities. Among the destinations cited in these comments were:

- Day programs
- Doctor appointments
- Shopping
- Church
- Recreational activities.

Some commenters suggested a greater allocation be provided to providers in rural locations.

IDLA – Transportation – Response

For the Habilitation, IDLA hourly service, an allowance for mileage was included in the rebase model.

However, for the Habilitation, IDLA daily service, an allowance for mileage is not included in the rebase model. This omission was reviewed and the daily service rebase model will be revised to include an allowance for 'community mobility'. The allowance will be a factor of \$2.25 (per eight hours of service) for these costs.

However, it should be noted that some of the costs cited by the commenters – e.g., transporting clients to/from day programs and to/from doctor appointments – are separately reimbursable either through a Transportation Day Program rate or through the clients' medical plan.

Comments and Questions Related to Day Programs

31. Day Treatment Programs – Wages – Comments

Several comments questioned why day treatment program hourly wages are reduced from the prior rate models, when Home Health, Attendant Care and Respite models reflect increases in the hourly wages. Additionally, one commenter questioned if the base wages include employee raises.

Day Treatment Programs – Wages – Response

The CWG researched and analyzed national and provider-specific wage data in order to develop wages. The CWG determined these were appropriate for the Arizona Home and Community Based Services (HCBS) system and reflected the expected skill set and experience of direct care workers for each service delivery model. Day treatment programs are distinguishable from in-home services because they are provided in a setting where there are multiple staff members with lead staff and supervisory staff also in the same location. Other services, such as Attendant Care, however, require that staff have responsibility of providing service alone in a home setting. Additionally, day treatment programs are distinguishable from in-home services based on the service delivery specification and goals developed by the Division. As such, each service's wage component was analyzed and determined separately. During the rebasing process, it was determined that the inflated existing model wage component of \$15.03 is well above national and state market wages as well as wages currently paid by Division providers (\$9.92). A main purpose of the rebase process is to evaluate each rate component, such as wages, and analyze each component as compared to market benchmarks, the Division's service delivery goals, and acceptable business practices. As such, components in all of the rate models were assessed and re-calculated, resulting in some increases and decreases to each component. The proposed rebase wage of \$11.73 is the CWG's best efforts to achieve the goals of the rebasing process. This wage reflects the average wage for all day program direct care workers. This average wage represents a range of salaries and is intended to be representative of all direct care workers, including new (typically lower paid) staff and experienced (typically higher paid) staff.

32. Day Treatment Programs – Wages and Turnover – Comments

One commenter requested that the rebase models provide more funding for day treatment wages in an effort to avoid turnover and maintain better quality of care. One commenter questioned the use of school teachers for these programs.

Day Treatment Programs – Wages and Turnover – Response

In the rebase process, the CWG determined rate components that best described the overall day treatment program service environment and the service delivery goals of the Division. The rebase models include wage components that are above the levels that providers are currently reporting. The CWG used a market-based wage component of \$11.73 to reflect current market conditions of staff retention and salary. That is not to say that any individual rate component will fit into each provider's business model. Each provider must make the best business decision to allocate those funds. Additionally, the CWG developed wages according to the service delivery specifications, which are different from an educational school program in that day programs involve learning personal skills and community inclusion skills. As such, the wages are reflective of the skill and experience level expected for direct care workers. Below is a summary of major data points reviewed by the CWG in the development of day treatment wages.

WAGE COMPARISON

Day Treatment, Adult

Previous Model with Rate Change Adjustments	Provider Survey Data with Inflation Adjustments	Recommended Rebase Model
\$15.03	\$9.92	\$11.73

33. Day Treatment Programs – Staffing Ratio – Comments

One commenter noted that the day treatment model should not assume that personnel “go home” when clients are absent.

Day Treatment Programs – Staffing Ratio – Response

The commenter is under the impression that the day treatment model assumes that staff are utilized elsewhere or go home when clients are absent. While this was a model component in the prior rate models, the rebase model has been updated to reflect that staffing and the risk associated with client attendance is a standard operating risk associated with this type of business. As such, the rebase models do not adjust the staffing ratios to assume that staff “go home”, and the rebase models include a 10% adjustment to account for the risk associated with client attendance.

34. Day Treatment Programs – Curriculum Development – Comments

In addition to the Program Support comments and responses addressed in the sections above, commenters questioned the elimination of the compliance factor of 2%, citing current requirements for fingerprints and compliance with insurance, programming reviews and audits. Supplemental information provided during the comment period by AAPPD providers indicated that day programs have additional costs associated with the provision of the service, particularly around the staff needed to develop and maintain the program curriculum.

Day Treatment Programs – Curriculum Development – Response

The compliance factor of 2% in the current models was accounted for in the originally proposed rebase model as part of the ‘Program Support’ component.

Based on the feedback collected during the comment period as well as the supplemental data provided during the comment period, the CWG recommends that day treatment programs include an additional rebase model component. This additional component has been added to address the specific programmatic complexities with operating this type of program. An additional factor of 2% for curriculum development has been included in each of the day treatment rebase models.

35. Day Treatment Programs – Capital Costs – Comments

One commenter questioned the use of the same capital costs assumption for both the rural and urban rebase models. A few commenters noted that the rebase rates do not adequately address the cost of site capital and operating costs and compliance (particularly the retro-fitting of real estate). One commenter noted that the square footage per client is too low.

Day Treatment Programs – Capital Costs – Response

The research which the CWG performed showed the Phoenix marketplace to be a reasonable average for statewide urban facility costs. As with some other model components, the CWG assumed that rural versus urban capital costs would have offsetting differences. For example, while a rural setting may incur lower capital costs per square foot, they tend to have more square footage. As such, the recommended cost and square footage components are adequate to represent statewide costs.

The value recommended by the CWG for capital costs are supported by both the provider survey and supplemental data supplied by AAPPD. To the extent there are local issues which may require additional capital expenses, the Division will be evaluating these with AAPPD and District staff, rather than changing the statewide model.

36. Day Treatment Programs – Facility/Community Costs – Comments

Some commenters expressed the desire for rate models by setting location, particularly different rates for facility-based programs versus community-based programs.

Day Treatment Programs – Facility/Community Costs – Response

Although the provider survey collected data separately for facility and community programs, there was not sufficient data to analyze community based DTA programs apart from other programs. The CWG believes there would be offsetting costs between facility and community based DTA programs. For example, if a community program requires more skilled staff this would be offset by reduced capital expenses. Additionally other expense categories such as supplies should be lower in a community program, which would offset additional transportation expenses. Ultimately the CWG assumes the provider will establish program specifications which serve clients in the most community inclusive setting at the rate prescribed by the Division. Given these items and the desire not have an overly complex rate structure, the facility and community-based models were combined into one model that is representative of statewide costs.

37. Day Treatment Programs – Program Length – Comments

Several commenters questioned the use of the program lengths for each of the day program models, however most questions referenced the children's programs. While some commenters

requested longer program lengths, others provided feedback that actual program lengths are shorter.

Day Treatment Programs – Program Length – Response

The proposed rebase model program lengths were based on the Division's program specifications and understanding of service delivery. After the release of the originally proposed rebase models, the CWG reviewed provider billing patterns for these services. As a result of this additional data analysis in conjunction with the Division's goals for the services, the CWG recommends that the revised rebase models include a program length of 3.25 billable hours for the Child, After-School programs, and retain the original proposed length for other day programs (prior to the addition of additional training time). Slight revisions occur in all models to reflect and additional training component of 15 hours (see Question #13).

38. Day Treatment Programs – Client Attendance – Comments

Several commenters noted issues regarding client attendance. Specific concerns included partial day attendance, higher child absence rates, and comparisons to school absence rates. During the comment period, AAPPD providers submitted additional data recounting their individual provider experience regarding client attendance. Additionally, one commenter requested to be allowed to bill for absences.

Day Treatment Programs – Client Attendance – Response

The CWG understands that client attendance can vary from day to day, while fixed costs for the program remain. As this is a part of operating a day treatment program, the CWG seeks to mitigate the risk associated with client attendance. As such, the proposed rebase models include a factor of 10% to account for the variability in client attendance.

The supplemental AAPPD data shows that while DTA programs typically experience about 85% attendance, the variation in attendance levels are only 6%. The CWG is confident that the 10% variation assumption assumed in the model appropriately accounts for the risk associated with varying client attendance. The supplemental data also reported that Day Treatment, Child programs experience below 60% attendance, with a variation of only 15%. The CWG recommends that the Division retain the assumption of 10% for the variation in client attendance.

As a Medicaid service, the Division is not able to pay for services not rendered. As such, providers are not allowed to bill for client absences.

39. Day Treatment Programs – Other Costs – Comments

A few commenters mentioned that other costs, such as supplies, transportation and food costs were too low.

Day Treatment Programs – Other Costs – Response

These costs components were developed based on provider survey data, market data, and the services delivery specifications and are appropriate for the statewide model. As an additional note, the supplemental data provided by AAPPD for the program support component validated that the costs assumed in the model for these other costs are consistent with current provider costs. The CWG does not recommend the Division revise the original cost components.

40. Day Treatment Programs – Small Providers – Comments

A few commenters were concerned about the effect of the rates on small providers.

Day Treatment Programs – Small Providers – Response

The rates were developed to be representative of state-wide providers. While smaller providers may face additional costs in areas such as ERE (due to lack of ‘buying power’) or fixed costs (such as capital costs), the CWG expects these providers to see savings in the areas of program support, administration, and other general overhead as opposed to larger providers. As noted in the case of rural versus urban, to avoid the development of an overly complex rate structure, separate rates for large and small providers were not developed.

41. Day Treatment Programs – Program Size – Comments

Several commenters were misinformed of the program size for each service. Several commenters noted that no program has 16 participants – some mentioned larger programs, other mentioned smaller programs.

Day Treatment Programs – Program Size – Response

To clarify:

- Day Treatment, Adult assumes 16 scheduled participants
- Day Treatment, Child, After-School assumes 16 scheduled participants
- Day Treatment, Child, Summer assumes 16 scheduled participants
- Rural Day Treatment, Adult assumes 6 scheduled participants

These assumptions were developed to reflect statewide average program sizes, inclusive of large providers, small providers, urban providers, rural providers, facility-based and community-based.

42. Day Treatment Programs – In-Program Mileage – Comments

A few commenters were concerned that the in-program mileage of 2 miles per individual per day (32 miles per day) was not enough.

Day Treatment Programs – In-Program Mileage – Response

As noted above, the models are intended to reflect statewide averages. While it is true that the mileage assumption may be too low for community-based providers, it is also true that the mileage assumption may be too high for facility-based providers. As such, there are offsetting costs associated with each scenario.

43. Day Treatment Programs – Children (DTT/DTS) – Comments

Several comments were directed specifically to children’s day programs (after-school and summer). Concerns included additional training time, full time staff, and additional absences.

Day Treatment Programs – Children (DTT/DTS) – Response

The concerns related to training time and client attendances are addressed elsewhere (questions #13 and #38, respectively). The CWG recommends that program staff members are part-time because the average program length is approximately 4 hours and these programs are seasonal.

To the extent that staff are full-time staff and utilized in other services throughout the day and year, wages and ERE are accounted for in the other service models.

44. Day Treatment Programs – Modifiers – Comments

Several commenters suggested the use of modifiers in the day program rates. For example, one commenter suggested the use of a modifier for community based DTA programs and another commenter suggested developing a rate based on level of need.

Day Treatment Programs – Modifiers – Response

These comments are appreciated and are under consideration for future rate developments. Factors that must be considered primarily surround the method used to distinguish or measure the severity of the challenges facing the families or vendors. It is believed that an assessment tool would be required, and it is not believed that an appropriate tool could be found and deployed within the time frame for implementation of the new rates. However, the CWG has recommended to the Division to consider this suggestion for future implementation.

45. Day Treatment Programs – Definition of Rural – Comments

Several commenters questioned the current definition of rural within the day treatment program rate structure.

Day Treatment Programs – Definition of Rural – Response

As a result of provider feedback, the Division is reviewing the definition of rural. It is expected that under the new definition, several additional areas within the State will be classified as rural.

46. Day Treatment Programs – Behaviorally and Medically Intense – Comments

Commenters submitted several questions regarding the 1:1 and 1:2 ratios. Specifically, questions/comments included:

- Why are staff that provide care at a 1:1 or 1:2 ratio not provided higher levels of compensation due to the additional skills required for their client care?
- Why the 1:1 model doesn't include program support and other expense items such as absences, mileage, etc?
- An absence factor is needed

Day Treatment Programs – Behaviorally and Medically Intense – Comments

The CWG recognizes that the Division's goals for service delivery do not differ between day treatment rates. The CWG understands the complexity of behaviorally and medically-intense consumers, and as such, has developed the 1:1 rate to provide a richer staff to client ratio. However, these staff members still work in a supported setting and are providing the same service.

In evaluating the feedback gathered from the stakeholder community, the CWG is recommending that the rebase models include the following additions to the 1:1 rate: in-program transportation expense, program support, curriculum development, various productivity adjustments, capital, and supplies. Please see the revised 1:1 model for specific factors and adjustments.

The CWG expects vendors to staff appropriately for the expected attendance for each day. If a 1:1 client is absent for the day, it is reasonable to assume that the staff member will be utilized in another setting. The rebase rate models are an attempt to reflect service delivery goals and generally accepted practices.

47. Day Treatment Programs – Multiple Client Ratios – Comments

A few commenters mentioned that pairing up multiple client ratios, such as finding two clients with a 1:2 staffing ratio, is difficult.

Day Treatment Programs – Multiple Client Ratios – Response

While the CWG understands the operational implications of pairing client ratios, the rebase models do not address this issue. This issue is best handled by Division staff.

48. Day Treatment Programs – Failed Placements – Comments

One commenter asked “How does the Division expect vendors to handle failed placements?”

Day Treatment Programs – Failed Placements – Response

The rebase rate models do not address the issue of failed placements. This issue is best handled by Division staff.

Comments and Questions Related to Developmental Home (Dev Home)

49. Dev Home – Too Low-Provider – Comments

Several commenters expressed their displeasure with the rate reduction included in the proposed rebase rates for both the adult and child developmental homes. Among the comments received were:

- The rate reduction could force providers out of business
- The rate reduction could drive the family providers to other agencies such as the Division of Behavioral Health
- Requirements are not decreasing, therefore the rates should not decrease
- Development home rate reductions would be counter to the Governor’s initiatives to reduce congregate care and the Division’s preference for these types of placements
- The reduction would cause staff salaries to be reduced and have a deleterious impact on the quality of service
- The reduction would be a particular burden to those providers that only provide service to developmental homes
- The rate reductions were based on flawed statistics and erroneous assumptions
- The reductions would eliminate special functions for families such as pizza and Christmas parties and Diamondback games
- The reductions would eliminate “special funds” that provide additional in home support, consumer leisure activities and supplies, clothing, special events and excursions, and vacation spending money

Dev Home – Too Low-Provider – Response

Comments and questions were received on the developmental home services that addressed both the payments to the vendors and payments to the vendors that are intended for the families. The comments and questions were divided so that responses would separately address the vendors' concerns and the concerns relating to the payments to families. This set of questions/comments/responses addresses the vendors' concerns.

The proposed rebase rates provide an *increase* in the amount of payments targeted to the vendors. Under the current rate schedule, the total payments for developmental home services have largely been frozen since the inception of the rate system. This is because the independent models originally adopted by the Division indicated that the rates for this service should be reduced. As a policy matter, the Division froze the rates at the then existing levels. The table below summarizes the payments to the vendors under the current system and the rebase.³ In calculating the vendor payments under the current system it is assumed that the independent model rate currently in place for the payments to families is, in fact, what is paid to the families.

**Vendor Model Costs Current and Rebase, Developmental Home
Current Model Costs Inflated to SFY 2009**

Factor	Adult Home		Child Home	
	Current	Rebase	Current	Rebase
Fixed Costs of Licensure	\$800	\$720	\$813	\$720
Fixed Costs of Training	\$288	\$294	\$298	\$294
Respite Allowance	\$10,340	\$11,510	\$10,550	\$11,510
In-Home Support Allowance	\$1,680	\$1,240	\$1,710	\$1,240
Admin and Monitoring Staff	\$537	\$595	\$547	\$622
Mileage	\$470	\$324	\$480	\$356
Program Support Costs	\$0	\$683	\$0	\$686
Administration	\$1,365	\$1,707	\$1,392	\$1,714
Total Costs	\$15,487	\$17,074	\$15,796	\$17,142
Total Costs per Day	\$42.43	\$46.78	\$43.28	\$46.96
Adopted Rate Payment	\$44.35		\$45.25	

Based on the information above, from the perspective of the vendors of developmental home services, the rebase rate is an increase over both the rate of the existing models and of the existing adopted rate payment.

In support of an effort to have the developmental home rates increased, several developmental home providers surveyed themselves and provided information to the CWG. Those data were reviewed. Information was provided on 6 vendors of child developmental homes and 7 vendors of adult developmental homes. Data was collected on the number of clients, visits and other supervision and monitoring activity, other home visits and activity related to the client, and the number of hours of attendant care, habilitation and respite provided to the host families. A summary of the information reviewed is presented below.

³ Adjustments have been made to the rebase models since originally released in July; the respite and program support amounts were updated.

In reviewing the data, three points should be kept in mind: 1) the data represents 6 months of activity, 2) the data is presented on a per client basis, and 3) the data is net of outliers and the responses have been weighted by the amount of Division revenue each provider received.

Comparison of Rebase Model Factors to Data Provided by Vendors
Six Months of Activity

Factor	Adult Home			Child Home		
	Rebase Model	Vendor Data	Difference	Rebase Model	Vendor Data	Difference
Supervision Visits	10.3	6.2		10	3.6	
Supervision Visit Hours	13.4	8.5		14	5.3	
Supervision Visit Cost	\$298	\$189		\$311	\$118	
Supervision Other		21.9			19.8	
Supervision Other Hours		5.6			3.1	
Supervision Other Cost		\$124			\$70	
Other Visits		1.1			2.1	
Other Visits Hours		1.3			2.8	
Other Visits Cost		\$29			\$63	
Other Contact		2.7			6.8	
Other Contact Hours		2.7			3.1	
Other Contact Cost		\$59			\$68	
Summary Contact						
Total Contact Cost	\$298	\$402	(\$104)	\$311	\$319	(\$8)
Vendor In-Home Support						
Hours	35.0	27.6		35.0	31.8	
Cost	\$620	\$483	\$137	\$620	\$557	\$63
Respite						
Respite Hours	360	68.6		360	74.4	
Respite Cost	\$5,755	\$1,087	\$4,668	\$5,755	\$1,179	\$4,576
Vendor Mileage						
Miles per Visit	35.4	35.5		40	44.4	
Total Visits	10	7.3		10	5.7	
Total Miles	354	257.9		400	255.3	
Total Miles Cost	\$162	\$115	\$47	\$178	\$114	\$64
Summary of Depicted Costs	\$6,835	\$2,087	\$4,748	\$6,864	\$2,169	\$4,695

Based on the factors presented, which include all the factors in the models except for program support, administration, licensure and training, the data can be summarized as:

- The factors presented for the adult home indicates:
 - The total allowance in the rebase model for the factors is \$6,835 per client
 - The average expenditures by the vendors is \$2,087, which produces a net savings of \$4,748 per client
 - The most significant area of savings to the vendors is in the area of respite, where the savings is \$4,668 per client
- The factors presented for the child home indicates:
 - The total allowance in the rebase model for the factors is \$6,864 per client
 - The average expenditures by the vendors is \$2,169, which produces a net savings of \$4,695 per client
 - The most significant area of savings to the vendors is in the area of respite, where the savings is \$4,576 per client

The information collected by the vendors does not make the case that the proposed rebase rate would cause irreparable harm to the vendors' operations. It should also be noted that the rate paid to the vendors is not intended to be used, and should not be used to support such activities as Christmas parties, Diamondback games, vacation spending money and other special functions.

50. Dev Home – Too Low-Family – Comments

Several comments were submitted addressing the reduction in the “payments to families” component of the developmental home rate. Among the comments received were:

- Shock that a reduction was even considered
- Indicating that the rate was inadequate considering:
 - The number of trips the family must make to doctor appointments
 - Time spent in training, certification, and license renewal
 - The emotional stress of the job
- That the reduction may cause the families to reconsider their desire to provide the service
- Consumers are getting more difficult- noting increasing behavioral problems
- Rate increases are needed to improve the quality of services

Dev Home – Too Low-Family – Response

Comments and questions were received on the developmental home services that addressed both the payments to the vendors and payments to the vendors that are intended for the families. The comments and questions were divided so that responses would separately address the vendors' concerns and the concerns relating to the payments to families. This set of questions/comments/responses addresses the concerns that were raised with respect to the payments to the families.

The rates paid to the families are made up of two components: the room and board rate and the other payment rate. The other payment rate is included in the overall payment to the vendor. Actual payments made to families by vendors **may** differ from the payments modeled by the Division. Rates and data presented throughout this document represents the amounts modeled by the Division.

With respect to the room and board rate, the originally proposed rebase rates provided for:

- An increase in the payments for adult homes, with the payment moving from \$13.53 to \$13.75 per day
- A decrease in the payments for child homes, with the proposed rebase rates moving from \$13.53 to \$12.77 per day

The changes in room and board for both the adults' and children's models were in the areas of square footage allotments to clients, the per square foot payment amount, and in the meals cost. Since the release of the rebase models an error was discovered in the food costs and these costs have been revised – see discussion below. With the revised food amounts, room and board rates for adult and children will be increased by a larger amount under the rebase models to \$13.94 and \$13.79, respectively.

In terms of the other payments to families, the originally proposed rebase rates were decreases for both adults and children. The originally proposed rates provided for:

- A decrease in the payments for adult homes, with the payment moving from \$65.40 to \$54.03 per day
- A decrease in the payments for child homes, with the proposed rebase rates moving from \$66.71 to \$54.01 per day

Corrections to the calculations of these rates have since moved the payment for adult homes to \$54.06 and the payment for child homes to \$54.05.

There are three components to the rebase model for other payments to families: the habilitation component, the mileage amount and the administrative overhead allowance. The rebase models changed the method of pricing the habilitation hours per day (moving from a “fully loaded” rate – that is, the rate that would be paid to an agency providing habilitation including overhead amounts – to a rate without indirect and administrative costs) which was the primary cause of the rate decrease, while also increasing the number of miles traveled by the family from 200 to 250 per month.

Since questions and or comments were submitted in the areas of the habilitation hours, mileage and room and board specifically, specific responses to these areas are discussed below.

As a general response to the concerns of host families, the CWG knows that the Division appreciates the services provided by the host families and the CWG is confident that the ultimate rates resulting from the rebase process will be acceptable to the families.

51. Dev Home – Licensing – Comments

Several commenters noted that the rebase model for developmental homes based the cost for licensing on the Administration for Children, Youth and Families (ACYF) licensing costs but at a significantly lower level than the ACYF pays. Commenters also provided comparisons of the amounts included in the models to the actual ACYF amounts.

Dev Home – Licensing – Response

The rebase models did base the cost for licensing on the payment amounts of ACYF. There are approximately 30 different vendors/contracts listed by ACYF on their website. The rates paid by

ACYF are the result of negotiation between ACYF and the providers, and the rates therefore vary by provider. The amount of licensing cost that was used in the rebase model was based on an average of these negotiated contract amounts.

The amounts cited by the commenters as being indicative of the payments made by ACYF were not, in fact indicative of the ACYF payment amounts. The amounts cited were among the highest of the 30 payment amounts made by ACYF.

52. Dev Home – Training – Comments

Several commenters noted that the amount of initial training in the rebase model for developmental homes was insufficient. One commenter noted that the model may not be taking into account the PS-MAPPS training. Suggested amounts for initial training in the comments ranged from 32 hours to 58 hours per year. Another commenter noted that after a vendor receives training, the provider does not receive compensation until there is a placement, which can take a year, or the family could transfer to another vendor resulting in the vendor never being compensated for training.

Dev Home – Training – Response

The rebase model did account for the requirement of the PS-MAPPS training. An amount of \$1,000 was included for “initial training” in the model. This amount is the average cost for the PS-MAPPS paid by ACYF. Converting the \$1,000 into the number of hours, this equates to 43.5 hours of training. However, there are two other factors to note:

- In addition to the initial training, the rebase model provides for an additional 20 hours of initial training, bringing the total amount of initial training in the model to 63.5.
- The ACYF payment of \$1,000 is predicated upon a class size of 5. That is, the \$1,000 is paid for 5 trained parents. The rebase model includes the \$1,000 for each home, meaning that the total number of hours of initial training could conceivably be increased by a factor of 2.5 if the vendor runs classes of 5. If this were the case, the rebase model is actually providing for 108 hours with the \$1,000 payment as well as an additional 20 hours.

As to the lack of placements, the CWG understands that the Division shares the ACYF philosophy in only paying providers after placements. Therefore the rebase models have been constructed to amortize these payments rather than make specific payments at the time of training. As to the families transferring to other provider agencies, the CWG believes that this is a matter between the vendor and the families.

53. Dev Home – Training Wage – Comments

Two commenters specifically noted that the rebase training wage of \$17.70 for developmental homes was below their cost at \$20-\$21 per hour.

Dev Home – Training Wage – Comments

The wage for the training staff utilized for developmental homes was determined using BLS data inflated to the current timeframe. The commenters did not specify as to whether the trainers

were contract trainers or staff. The total compensation for trainers – including ERE – is \$23.01. Therefore, if the commenters were referring to contract trainers, the amount included in the model is sufficient to cover that cost.

During the rebase process, the data reported by the vendors that participated in the CWG provider survey process was reviewed. Two full-time equivalents (FTEs) were reported as working with child developmental homes (although some contractors were reported) and seven FTEs were reported as working with adult developmental homes. The range of wages paid to staff varied from as low as \$7.13 to \$25.00. In light of this, the wages included in the rebase model were derived from the BLS.

54. Dev Home – Supervision – Comments

Several commenters noted that the average number of hours for home visits in the developmental home models is not reflective of all of the duties of the supervision staff, and reducing the number of visits will adversely impact the quality of service provided. Among the examples of supervision time cited by commenters in addition to the home visits were:

- Medication monitoring
- Individual Service Plans
- Individualized Education Plans
- Child and family team meetings
- Behavioral plan development and monitoring
- Day program issues
- School issues
- Court appearances
- Foster care review board meetings
- Family visits
- Doctor visits
- Community support outings.

In contrast to the 20 visits included in the developmental home model, commenters suggested the number of visits be increase to as many as 40 or 130. Some commenters noted because the number of visits should be increased that the mileage factor should also be increased. Rather than the 66 miles used in the model, suggestions were made to increase the mileage to 162, 300, 500 or even 1,000 miles per month.

Dev Home – Supervision – Response

In support of an effort to have the developmental home rates increased, several developmental home providers surveyed themselves and provided information to the CWG. Those data were reviewed. Information was provided on 6 vendors of child developmental homes and 7 vendors of adult developmental homes. Data was collected for the number of clients, visits and other supervision and monitoring activity, other home visits and activity related to the client, and the number of hours of attendant care, habilitation and respite provided to the host families. A summary of all the information reviewed was presented earlier in this document, and presented below is a summary of the information related to trips and mileage. The data is for the six months of January 1st – June 30th 2008.

**Comparison of Rebase Models and Vendor Reported Data
Supervision
*Six Months of Activity***

Factor	Proposed Model Amount		Reported by Providers	
	Child	Adult	Child	Adult
In-Home Visits	10.0	10.3	5.7	7.3
Hours	14.0	13.4	8.1	9.8
Avg. Trip Distance	40 Miles	35.4 Miles	44.4 Miles	35.5 Miles

The in-home visits and hours displayed above include all reported in-home contacts. Based on the vendor supplied information, there is not a case to increase the number of in-home visits in the models.

However, as reported earlier, the vendor supplied data contains information related to additional hours and contact by phone, e-mail and other means. When including these additional contacts with and for the family with the in home visit information, the general finding is that in the case of the child homes, total contact time is equal to the amount of time provided for in the rebase model; for adult homes, the amount of contact time exceeds the amount of time provided for in the rebase model.

However, two other factors were reviewed when considering whether or not to modify the rebase model to increase contact time for vendors supporting adult homes:

- It is not clear, based upon the service specifications, that all the cited (and reported) contact time of the vendors is required
- The rebase model includes the ACYF payment of \$500 for license renewal. In the service specification for license renewal, ACYF states:

“The ICPC Referred Foster Home Renewal License Rate includes the staff time to conduct and complete the foster home renewal licensure study, supervision of the home, on-going training, *visitation and monitoring* of the home.”

The rebase model, in addition to the annual renewal amount, includes 20 monitoring visits per year. As a result, no change will be made to the rebase model for contact with the families.

55. Dev Home – Compare to ACYF – Comments

Several comments were submitted suggesting that comparing developmental home rates to ACYF rates was improper as there are service differences between the programs and the consumers are different. Division consumers have mental, physical, and behavior differences which distinguish them from ACYF consumers.

Dev Home – Compare to ACYF – Response

The comments indicate that there are differences in the Division’s consumers and the ACYF consumers, yet the ACYF has a definition of a “medically fragile” child that is very similar to the definition used for developmental disabilities. Additionally, the responsibilities of the vendors in ACYF and the Division are very similar, so the rates paid by the two divisions are expected to be similar. After reviewing the information available from ACYF, it appears that the Division

makes higher payments to families than does ACYF, and essentially the same level of payments to vendors as ACYF.

The ACYF has four levels of payments for foster care families, listed below from low to high:

- Basic Foster Care
- Foster Care, Special 2
- Foster Care, Special 3
- Foster Care, Medically Fragile

The Medically Fragile category is defined by ACYF to be:

The client must meet at least two of the following...:

- a. Is significantly delayed in at least one area and may demonstrate milder delays in other areas, e.g. cognitive, fine motor, gross motor, personal, social, language, etc.
- b. Receives multiple therapies at least weekly, e.g., physical, occupational, speech, etc.
- c. Requires the foster parent to be trained in and to administer at least daily therapy/treatment, e.g., physical, occupational, speech, etc.
- d. Attends a specialized day care or school program, which may require the foster parent to attend meetings associated with the program, such as IEP meetings
- e. Requires assistance with age-appropriate activities of daily living, e.g., feeding, toileting, dressing, etc.
- f. Has a diagnosis, which requires 24 hour a day specialized care, e.g. Autism, Cerebral Palsy, Epilepsy, Mental Retardation, etc.

For the payments to families, ACYF pays a medically fragile payment rate of \$44.69. The proposed rebase rate for payments to families – with the correction for food – is \$68.00 for adults and \$67.84 for children.

For the payments to vendors, ACYF pays a “Filled Regular Foster Home Bed” rate; one for non-medically-fragile of approximately \$10 per day; and one for medically fragile of approximately \$15 per day. The medically fragile per day rate is defined to include:

...retention, foster parent support services, clinical support, supervision of the home, visitation, monitoring, respite services, licensure and re-licensure.

The amount of respite included in the ACYF rate is 144 hours per year.

In order to compare the proposed rebase rate with the ACYF rate, an analysis was performed that 1) adjusted the ACYF vendor payments to account for the extra services required by the Division (attendant care, habilitation, respite in excess of 144 hours) that are not required by ACYF, and 2) converted all the licensure and training payments made by ACYF as lump sums into a daily rate. The result of that analysis indicated that when the rebase rate is compared on an “apples to apples” basis to the ACYF rate, the proposed rebase rate is \$46.78 for adults, \$46.96 for children, and the ACYF rate would be \$45.90.

56. Dev Home – Compare to DBHS – Comments

Two commenters suggested that the Home Care Training to Home Care Client (HCTC) rates be considered for developmental homes as many families may switch to being a HCTC provider for the higher rate and because of the “increasing number of consumers” who have significant behavioral problems.

Dev Home – Compare to DBHS – Response

The information available on the Arizona Division of Behavioral Health Services (DBHS), HCTC service was reviewed. Admittedly, some of the information available was slightly inconsistent, but not to a point that rendered the overall analysis suspect.

The following table summarizes the information collected on the HCTC service compared to the adult developmental home service:

Comparison of HCTC Factors to Adult Developmental Home		
Factor	HCTC	DDD Dev Home Adult Rebase
Fixed Cost of Licensure per Year	\$736.00	\$720.00
Fixed Cost of Training per Year	494.60	294.00
Value of Direct Services to be Provided in the Home	28,430.00	12,750.00
Administration and Monitoring	1,192.46	595.04
Mileage	243.00	324.51
Administrative Overhead – incl Program Support	2,962.25	1,707.39
Total Cost Per Family	\$34,058.31	\$17,696.39
Total Cost Per Family Per Day	\$93.31	\$46.78
Room and Board to Family per Day	\$14.22	\$13.94
Other Payment to Family per Day	18.33	54.06
Total Payment per Day	\$126.00	\$114.78
Total Payment per Rate Schedule	\$130.79	

In reviewing the available information the significant areas of differences are:

- The HCTC rate includes a substantially higher value of the direct services to be provided in the home – a difference of approximately \$16,000 – that accounts for approximately half the difference in the rate paid to the vendors
- The HCTC rate provides more funding for administration and monitoring. While the HCTC rate does provide for more visits – 26 versus 20 – the real difference here is that the HCTC requires that a behavioral health professional do the monitoring, at a substantially higher wage level than is provided in the rebase model
- Administrative costs are greater in the HCTC rate because the overall rate is greater than the rebase rate
- The rebase rate has a lower payment to the family for room and board costs but a substantially higher other payment

With respect to the services to be delivered in the home, the two rates provide approximately the same number of hours – HCTC contains an allowance for 770 hours while the rebase rate’s allowance is 790 hours. The large dollar difference is due to the difference in compensation rates for the staff delivering the services: the HCTC model uses a compensation rate of approximately \$38 per hour, reflecting the cost of a behavioral health professional while the rebase model uses rates of approximately \$16 per hour.

While there is, at least nominally, a much larger payment made to the family under the rebase model, it is acknowledged that the vendors are free to use the revenues from the rates under both systems in any manner that they choose. Therefore, it is possible that actual payments to the families are different than the amounts allocated in the models, if the vendors make that choice.

Based on the information available – both on the HCTC service and as to how the Division’s vendors are (or are not) utilizing the available funds for in home services, the proposed rebased rates will not change to address the differences with the HCTC service.

Summary- Comparison of Dev Home to ACYF and DBHS

To summarize the two previous discussions comparing the Dev Home rates to the comparable rates used by other entities in state government – ACYF and DBHS – the following table was prepared:

Payment Element	ACYF Medically Fragile	Rebase Model Child Dev Home	Rebase Model Adult Dev Home	DBHS HCTC
Payment to Families				
Room and Board	NA	\$13.79	\$13.94	\$14.22
Other Payments	NA	54.05	54.06	18.33
Total Payment to Families	\$44.69	\$67.84	\$68.00	\$32.55
Vendor Payment	45.90	46.96	46.78	93.31
Total Payments	\$90.59	\$114.81	\$114.78	\$125.86

57. Dev Home – Modifiers – Comments

Some commenters suggested that the rates for developmental homes include modifiers for clients with mental problems and/or behavioral problems and/or medical problems.

Dev Home – Modifiers – Response

These comments are appreciated and are under consideration. Factors that must be considered primarily surround the method used to distinguish or measure the severity of the challenges facing the families or vendors. It is believed that an assessment tool would be required, and it is not believed that an appropriate tool could be found and deployed within the time frame for implementation of the new rates. However, the CWG has recommended to the Division to consider this suggestion for future implementation.

58. Dev Home – Respite – Comments

At least one commenter questioned how respite between the company and the family worked.

Dev Home – Respite – Response

The current and rebase rate models for Vendor Supported Developmental Home services include an allowance for the vendor, that is, the agency that recruits, supervises and monitors the host family, to provide certain in-home services to the host family. The annual allowances for these services in the rebase model are:

- 70 Hours of In-Home support
- 720 Hours of Respite

Although there are no specific requirements in the service specifications, it is expected that the vendor will make these in home services available to the family as the need arises.

59. Dev Home – SODH – Comments

Comments were received complaining about the higher payments to families for state managed developmental homes (SODH) than for vendor managed developmental homes. Specific questions were asked about the level of care rates and the apparent higher payments to families.

Dev Home – SODH – Response

An analysis was performed of the payments to families by the Division in situations where the Division supervises the developmental home. These rates vary by district and by assessment level. In general, the level of payments to families range from approximately \$40 to \$90 per day. Although the rates vary by district, the state-wide average payments compared to the payments under the rebase proposal are presented in the Table below.

**State versus Vendor Supported Developmental Home:
Other Payments to Families**

Payment Type	State Supported Average	Vendor Supported
Adult Host Families	\$53.31	\$54.06
Child Host Families	\$70.93	\$54.05

60. Dev Home – Family Mileage – Comments

Concerns were raised by commenters about inadequate mileage allowances for the host families in the developmental home model. Examples of trips included to and from:

- Day programs
- Doctor visits
- Church
- Activities
- Family visits
- Case management meetings.

Dev Home – Family Mileage – Response

Unfortunately the provider survey conducted for the rebase effort did not solicit information with respect to the miles traveled by host families on behalf of the consumers residing in their home. However, the mileage amount included in the rebase models was increased over the current models by 25%, from 200 to 250 miles per month. In light of the analyses presented above that compared the payments to the family under the proposed rebase to the amounts paid by both ACYF and DBHS, the 250 miles per month is regarded as sufficient.

It should also be noted that the transporting of clients to and from day programs and doctor appointments may be separately reimbursable, either through Day Program Transportation or the clients' medical plan.

61. Dev Home – Family HAH Hours – Comments

Comments were received regarding the 4 hours a day of habilitation services that were included in the developmental home rebase models as “other payments” to families. The comments all indicated that 4 hours a day was inadequate. The following reasons were given for the inadequacy:

- All the family waking hours are engaged in habilitation
- Services provided by the family are more similar to the Behavioral Health Home Care Training Client service, and the level of compensation for HCTC is higher than for developmental homes
- Services are provided on weekends, school breaks, and when the consumer is sick

The suggestion was made to increase the hours to 8 to 12 hours per day.

Dev Home – Family HAH Hours – Response

The CWG was guided in the development of the rebase rate by the federal statutes and regulations that define “foster care maintenance payments”. Those definitions state that the maintenance payments are:

...payments to cover the cost of (and the cost of providing) food, clothing, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. Local travel associated with providing the items listed above is also an allowable expense.

The regulations also provide that “daily supervision” includes:

...licensed child care, when work responsibilities preclude foster parents from being at home when the child for whom they have care and responsibility in foster care is not in school, licensed child care when the foster parent is required to participate, without the child, in activities associated with parenting a child in foster care that are beyond the scope of ordinary parental duties, such as attendance at administrative or judicial reviews, case conferences, or foster parent training.

In essence, the payments to the family are a form of reimbursement to the family for “costs incurred” (and “the cost of providing”) as a result of the placement of the consumer with the family. The payments are not compensation for services performed because the Division has not “hired” the family to provide services. The rebase model utilizes habilitation hours only as a proxy for the determination of the additional costs incurred by the family.

The CWG is sure the Division recognizes, and is grateful for the services, stress and inconvenience that the host families endure to serve the Division’s consumers. The altruistic motivations of host families to be of service are truly commendable and deeply appreciated.

62. Dev Home – Food – Comments

A number of commenters observed that the age breakdown for food costs for children in the developmental home model was in error.

Dev Home – Food – Response

The calculations for food costs for both adults and children in the room and board rebase models were in error.

The rebase models were revised and the room and board rate for adults was revised from \$13.75 to \$13.94 and the rate for children has been revised from \$12.77 to \$13.79.

63. Dev Home – Room and Board – Comments

Commenters questioned why a factor for incidentals and commodities was not included in the developmental home rebase model. Examples of these costs included:

- Soap
- Shampoo
- Toothpaste
- Utilities
- Toilet paper
- Laundry soap
- Dish soap
- Diapers
- Gifts
- Trips
- Devices not covered by health plan
- Home modifications
- Floor wax
- Oven cleaner
- Yard services.

Dev Home – Room and Board – Response

The costs incurred for incidentals and consumables required for the consumer in a host family home are included in the amount calculated through the inclusion of habilitation hours in the rebase model as discussed above.

Dev Home – Payments to the Family- Summary and Another Perspective

As discussed above, the total payments to the family are designed to “cover the costs” of providing care to the clients that are placed with the host family. For the purposes of the rebase models, the pricing of these costs has been modeled using certain assumptions relating to food and shelter costs, mileage, as well as the use of a proxy of four hours a day of habilitation services for all other costs.

In order to validate this approach, the CWG consulted the USDA’s Center for Nutrition Policy and Promotion’s *Expenditures on Children by Families, 2007*. This publication summarizes the costs of children by age level, by pretax income level of the family, and by area of the country. Using the data for the urban West, for families in the highest pretax income bracket, and selecting the highest expense for any age category for the expense elements of housing, food, transportation, childcare and education, and miscellaneous expenses, the USDA daily cost of children is calculated to be \$63.02 per day. The proposed rebase amounts for total payments to the family are \$68.00 for adult clients and \$67.84 for children. This finding reassures the CWG that the recommended rebase rates for payments to families is adequate.

Comments and Questions Related to Habilitation, Group Home (HAB)

64. HAB – General – Comments

With respect to group home rates in general, one commenter questioned why the monthly reports required by the Division were not factored into the model, and a commenter requested the Division share data on state operated group homes.

HAB – General – Response

The monthly reporting required by the Division for group home providers is accounted for in the HAB rebase model. In fact, it could be argued that the reporting is accounted for in two separate places in the model: first, the cost of reporting is included in the program support factor in that the costs associated with reporting are not associated with direct care service staff dealing directly with a client; second, the cost of reporting is included in the direct care service staff in that all of the daily hours of this staff are billable, with the exception of the time allotted for training.

The data collected during the rebasing project on State Operated Group Homes is included in Appendix 1, attached to this document. The most useful data collected related to wages and ERE because the various expenses for the homes (utilities, maintenance, operating supplies, etc.) are booked in various cost centers, and cannot readily be retrieved.

65. HAB – Mileage – Comment

Commenters raised concern about the amount of mileage included in the Group Home rebase model, indicating that it was not sufficient. No specific suggestions for mileage were provided, although one commenter suggested that mileage be associated at a flat amount per home, not on

a staff hour basis. One commenter suggested additional miles for transportation be provided for providers in rural areas.

HAB – Mileage – Response

The rebase model for HAB Group Home assigns 40 miles per day per home, and makes an assumption (based on data available in the Division's records) that there are, on average, 5.26 FTE per home. After a series of calculations, the model utilizes .95 miles per staff hour for the mileage allotment for HAB Group Homes. At 365 days per year, the total annual average mileage per home is 14,600 miles per year.

After the Rebase Book was published, AAPPD collected HAB Group Home transportation related data from its member providers and made that information available to the CWG. That information was reviewed. The findings resulting from that review include:

- With respect to vehicles currently in service, information was reported for 182 vehicles, of which, annual mileage amounts could be determined for 96 vehicles (either because of missing mileage amounts or acquisition date).
 - The data revealed that the weighted average annual mileage ranged from a amount of 14,688 (with outliers) to 14,210 (without outliers)
 - In summary, the data for the vehicles currently in service supports the assumption in the HAB Group Home models of 14,600 miles per year
- With respect to the information by group home, information on 197 homes was reported with 196 observations being useful.
 - The data revealed that the weighted average annual miles per group home ranged from almost 17,000 (with outliers) to 16,100 (without outliers)
 - In summary, the data reported for individual group homes indicates a substantial difference in the annual mileage compared to the data reported on a per vehicle basis, and the amount of mileage used in the rebase models.

In considering the AAPPD data for use in calculating the number of miles assigned to a group home, the AAPPD mileage amounts derived from the vehicles currently in service was deemed by the CWG to be more reliable. Since the annual mileage from this AAPPD data source closely matched the annual mileage included in the rebase model, no change to the mileage rate was made.

Comments and Questions Related to Room and Board, All Group Homes (RRB)

66. RRB – General – Comments

One commenter questioned why staff food costs were not included in the room and board rates for group homes.

RRB – General – Response

The rates established by the CWG do not provide for meals for direct care staff, consistent with federal Medicaid policy.

67. RRB – Rent – Comments

Comments were submitted that the rent amounts in the Room and Board rebase model did not reflect provider expenses and should be done by individual city. Other comments were received that indicated District 3 rents should be increased. One commenter also questioned rates for homes that are unable to find their client a roommate at present.

RRB – Rent – Response

As documented in the RebaseBook, rental costs incorporated into the Room & Board, All Group Home rebase models were derived from the U.S. Department of Housing and Urban Development. Rental amounts were found for differing size homes for the Phoenix-Metro area, Tucson, Flagstaff, and an area encompassing Yuma and all other.

Additionally, the rebase models (and the resulting rate schedules) are designed to allow for variance in occupancy within the homes.

68. RRB – Utilities – Comments

Comments were received on the utility allowance in the Room and Board rate for Group Homes. The comments suggested the utility allowance was too low because:

- One provider suggested actual costs were twice as high as the allowance
- Homes have 4 or 5 consumers in wheel chairs that require doors to be open for extended periods of time
- Washers and dryers operate more frequently than in a family home
- Because residents are not owners, they do not exercise the same stewardship as homeowners
- Medical conditions may require lower or higher temperatures
- Natural gas or propane were not included for heating
- Water rates are low compared to many areas including the Navajo Nation
- Costs not included for cable, internet, and cell phones
- Snow removal costs were not included

RRB – Utilities – Response

The CWG provider survey collected “utility costs” in two categories: telephone costs and all other. To assemble all other utility costs, the CWG reviewed four sources of data: the provider survey, the Arizona Public Service (APS) electric costs by group home address, the APS “Analyzer”, and the City of Phoenix water and trash rates.

In most instances the data from the provider survey were the highest expense for utilities. A limited amount of inquiry was undertaken by the CWG with the reporting providers and it was determined that at least some providers were including in utility costs the costs of cable and internet, and were also reporting utility expenses for group homes that had swimming pools.

Utilizing information from the Division's records, the CWG looked up on the APS web site the average monthly electric bills for approximately 160 separate group home addresses (from all districts except for District 2).

The CWG also utilized the APS home analyzer tool to determine the average electrical use for a detached, one-level, single family all electric home with an attic (but no basement) utilizing central air.

Finally, the CWG consulted the City of Phoenix for water rates for standard units of water utilizing the second highest meter size. In reviewing the comments submitted, it was discovered that the utility allowance for group homes omitted charges for sewer and garbage pick up. The models have been revised to include these amounts.

Presented in the Table below are the findings of the CWG with respect to utility amounts for group homes.

Utility Amounts (inflated data)							
Home Size	Provider Survey (All, except for phone)	APS by Address (Electric)	APS Analyzer (All Electric Home)	Allowance for Water	Proposed Rebase Model (Analyzer, With Water)	Allowance for Sewer and Garbage Pickup	Revised Rebase Model
1 Bedroom	\$128.27	\$90.19	\$140.22	\$46.37	\$187.87	\$53.95	\$241.82
2 Bedroom	\$247.55	\$176.84	\$164.26	\$46.37	\$212.08	\$53.95	\$266.03
3 Bedroom	\$369.14	\$245.09	\$189.80	\$46.37	\$237.79	\$53.95	\$291.74
4 Bedroom	\$451.74	\$296.30	\$211.76	\$46.37	\$259.90	\$53.95	\$313.85
5 Bedroom	\$532.08	\$296.30	\$233.80	\$46.37	\$282.09	\$53.95	\$336.04
6 Bedroom	\$429.22	\$273.36	\$256.97	\$46.37	\$305.42	\$53.95	\$359.37

The APS analyzer costs were selected for use in the rebase models as these estimates were judged to be the most standardized and reasonable.

Costs for cable, internet, cell phones and snow removal were not included as individual factors within the rate models.

69. RRB – Other Costs – Comments

Commenters were concerned that the maintenance costs for the room and board model were too low, and did not include services such as pest control, landscaping, and pool maintenance.

RRB – Other Costs – Response

During the rebasing activity, the existing "base" maintenance factor of \$50 per home per month (adjusted by \$5 for each additional resident) was supplemented by a new factor for consumables of \$50 per month (again adjusted for the number of residents).

There is no separate factor to account for the costs of pest control and the CWG does not recommend the inclusion of a factor for the costs of landscaping and pool maintenance in the rebase models.

Comments and Questions Related to Professional Services

70. Nursing – Visit Rates – Comments

After the release of the originally proposed rebase rates, the Division expressed the desire to build a per-visit rate for nursing that would better fit the needs of clients who need brief nursing visits (e.g., administration of injections or other medications) and fits the providers' needs better than the current one-hour rate.

Nursing – Visit Rates – Response

The CWG has developed a new nursing rate that is to be billed on a **per-visit** basis. This rate is designed to accommodate nursing visits of a very brief nature and is to be billed by the provider when the visit is too short to be eligible to bill the one-hour rate. The urban visit rate is \$29.15 and the rural visit rate is \$31.77.

Comments and Questions Related to Habilitation with Music Component (HAM)

71. HAM – Documentation – Comments

Two commenters expressed concern about reducing documentation time to zero, noting that workers may be required to develop service plans, progress notes and client reports.

HAM – Documentation – Response

In the current rate models, the productivity adjustment for 'Notes and Medical Records' represents the time necessary to complete activities such as service logging, medical notes and observations, and other documentation that is done during the client visit. Across most of the in-home rebased services, Notes and Medical Records time was removed from the proposed rates because that time is actually billable by the provider when conducted during the client visit. Therefore, it was not appropriate for the model to pay for it a second time in the productivity adjustments. Service planning and strategies not done in the client's presence are a Program Support activity and are covered by the 4% of the rate designated for those costs.

72. HAM – Wage – Comments

Four commenters expressed concern regarding the wages used to develop the HAM rates. Two commenters specifically noted that they believe BLS occupations used to develop the hourly wage for the Specialized Habilitation with Music Component rates do not accurately capture the requirements of the position, which include at least a four-year degree and continuing education. The commenters suggested alternative occupations that should be used in lieu of Child, Family and School Social Workers and Health Educators, which were used to build the rates. Two other commenters provided more general commentary that the rates for this service do not reflect the education, training and expertise required to provide the service. One commenter questioned

why HAM is different from Physical, Speech and Occupational Therapy and why the rates do not appear to follow the service specifications.

HAM – Wage – Response

The blend of wages selected from the BLS data reflects the requirements and service specification for HAM. The assumed educational qualification for the provider is a bachelor's degree in Music Therapy. This qualification level was confirmed as appropriate to the service through a conversation with the program administrator for the Music Therapy program at Arizona State University. The service specification does not make it appropriate to equate HAM with Physical Therapy, Speech Therapy, or Occupational Therapy.

Comments and Questions Related to Enhanced Mileage Rate (EMR)

73. EMR – General – Comments

Commenters raised concerns about the enhanced mileage rates (EMR) included in the rebase models and suggested the rates were inadequate because:

- The rate was based on flawed assumptions
- The rate does not adequately provide for tires for 6 wheeled vehicles
- Salvage values were overstated
- Finance charges were not included
- Fuel costs were too low
- Fuel efficiency was not appropriately accounted for
- Wages for drivers were understated
- No distance modifier was included

A suggestion was made to use data collected by AAPPD.

EMR – General – Response

Based on the comments received both at the public hearings and submitted to the Division's email site, a review of the EMR was undertaken. The review consisted of both the calculation of the EMR and of data collected and submitted by AAPPD.

With respect to the basic calculation of the EMRs, it is acknowledged that the calculation omitted the finance charge of the standard rate. Future calculations of the rate will include this factor. Additionally, after consideration, it was determined that the fuel factor used in the standard mileage rate was based on a vehicle with fuel efficiency above the typical provider vehicle. Therefore, the fuel factor in the mileage rate was recalculated based upon 10 miles per gallon.

In order to make a case that the Enhanced Mileage Rate (EMR) calculations for Day Programs and HAB Group Homes were too low, after the Rebase Book was published AAPPD collected data from its member providers and provided the information to the CWG. The data provided was analyzed and summary results are presented below.

Day Program Information

Information was provided on the current vehicle inventory. Overall, information was obtained on approximately 200 vehicles, of which useful information was available for 187 vehicles for acquisition purposes, 119 for financing cost purposes, 141 for miles per year, 200 for insurance and maintenance. Additional information was provided on approximately 18 vehicles that had been disposed, of which useful information was available for 10 vehicles for their acquisition cost, 10 for their age, 9 for miles per year, and 18 for their salvage value. The summary information gleaned from this data set (compared to the assumptions in the rebase model) is presented below:

Costs/Factors Associated with Day Program(s) EMR

Factor	EMR Proposed Rebase Model	Provider Reported (w/ Outliers)	Provider Reported (w/o Outliers)
Acquisition Cost	\$ 48,000	\$ 27,600	\$ 27,200
Salvage Value	16,000	1,300	800
Net Vehicle Cost	32,000	26,300	26,400
Annual Finance	0	890	870
Annual Insurance	3,600	2,190	2,130
Annual Maintenance	842	1,670	1,500
Miles per Year	16,500	12,500	11,600
Average Vehicle Life, Years*	6.06	8.00	8.62
Total Annual Cost*	\$ 9,723	\$ 8,038	\$ 7,563

*Amount is not adjusted for attendance and excludes costs for Fuel and License, Tax & Registration

Information was also provided on the transportation to and from the program and on outings; both of these data sets were reported on a per trip basis. Information was reported for 170 routes for the transportation to and from and for 123 programs or sites for the outing information. The summary information gleaned from these data sets are presented below:

Costs/Factors Associated with Day Program(s) To and From Transportation

Factor	Rebase Model	Reported (w/ Outliers)	Reported (w/o Outliers)
Distance per Trip	25	32	31
Consumers per Trip	5	5.6	5.5
Staff per Trip	2	1.4	1.4
Time per Trip	45 minutes	90 minutes	90 minutes
Total Staff Time per Trip	1.5 hours	2.1 hours	2.1 hours

Costs/Factors Associated with Day Program(s) Outings

Factor	Rebase Model	Reported (w/ Outliers)	Reported (w/o Outliers)
Distance per Trip	NA	32	25
Consumers per Trip	NA	9.3	8.0
Trips per Week	NA	2.8	2.3
Number of Vehicles	NA	1.6	1.5
Total Miles per Week	NA	143	86
Total Miles per Consumer	NA	15.4	10.8
Miles per Consumer per Day	2.0	3.1	2.2

In the data submitted by the providers through AAPPD there was an inconsistency in the mileage reported:

- The vehicle specific data indicated the average annual mileage per vehicle was between 12,500 (with outliers) and 11,600 (without outliers) for vehicles in service
- The trip information indicated the “to/from” mileage was 15,750 miles per year and the outings mileage was 4,800 miles per year, for a total mileage of 20,500.

To reconcile this information, when calculating the enhanced mileage rate utilizing the AAPPD data for Adult Day Treatment, the per vehicle mileage reported was used – 12,600 miles per year.

With recalculated standard mileage rates for finance and fuel and the information provided by AAPPD, new EMRs were calculated for day programs. The results of that recalculation (and comparison to the original EMRs) are presented below.

Comparisons of EMRs for Day Programs		
EMR Version	Urban Day	Rural Day
Original	\$.779	\$.682
Recalculated	\$.926	\$.829

The calculations of the enhanced mileage rates are attached in Appendix 2 at the end of this document.

With the recalculation of the EMRs, the transportation models were adjusted to reflect the new factors

Group Home Information

Information was provided on the current vehicle inventory. Overall, information was obtained on approximately 182 vehicles, of which useful information was available for 182 vehicles for acquisition purposes, 182 for financing cost purposes, 96 for miles per year, 182 for insurance and maintenance. Additional information was provided on approximately 11 vehicles that had been disposed, of which useful information was available for all 11 vehicles. The summary information gleaned from this data set (compared to the assumptions in the rebase model) is presented below:

Costs Associated with Group Home EMR			
Factor	EMR	Reported (w/ Outliers)	Reported (w/o Outliers)
Acquisition Cost	\$ 48,000	\$ 21,100	\$ 19,400
Salvage Cost	16,000	1,800	1,800
Net Vehicle Cost	32,000	19,300	17,600
Annual Finance	0	650	600
Annual Insurance	3,600	1,950	1,940
Annual Maintenance	675	1,250	1,125
Miles per Year	14,600	14,700	14,200
Average Vehicle Life, Years	6.85	6.80	7.00
Total Annual Cost	\$ 8,947	\$ 6,688	\$ 6,179

*Amount is not adjusted for attendance and excludes costs for Fuel and License, Tax & Registration

The weekly trip amount for the HAB Group Home rebase model was discussed in an earlier comment.

With recalculated standard mileage rates for finance and fuel and the information provided by AAPPD, new EMRs were calculated for group homes. The results of that recalculation (and comparison to the original EMRs) are presented below.

Comparisons of EMRs for Group Homes	
EMR Version	All Homes
Original	\$.720
Recalculated	\$.808

The calculations of the enhanced mileage rates are attached in Appendix 2 at the end of this document.

With the recalculation of the EMRs, the group home models were adjusted to reflect the new factors.

Comments and Questions Related to Day Treatment Program Transportation (TRA)

74. Day Treatment Program Transportation – General – Comments

General comments regarding the transportation models included:

- One commenter suggested a modifier for exceptional distances
- Some commenters indicated that additional clients are transported
- Some commenters indicated that less clients are transported
- Some commenters were confused on the number of clients transported
- AAPPD submitted additional data regarding EMR and mileage
- The extra TRA staff is very needed and appreciated
- The extra TRA staff is not feasible (can not have 2 people in the van at all times)
- Why are there separate models for children?

Transportation – General – Response

The comment regarding a modifier is appreciated and is under consideration for future rate developments. However, the CWG has recommended to the Division to not consider this suggestion for the current rebase process.

As for other services, the number of clients transported reflects a statewide average assumption. For clarification, the models include an assumption of 10 clients transported in an urban setting and 4 clients transported in a rural setting.

Given the feedback and after reviewing the additional data provided by AAPPD, the CWG recommends that the revised rebase models have updated assumptions for EMR, mileage, staff per van and the time spent in the van. Additionally, the CWG recommends simplifying the rate

structure and to only have TRA, urban and TRA, rural rates (no children rates). A summary of the revised assumptions is provided in Appendix 3 at the end of this document.

Appendix 1

Arizona Division of Developmental Disabilities

Overview of Data for State-Operated Group Homes

Introduction

As part of the rebasing effort for the Habilitation, Group Home service, the Consultant Workgroup (CWG) reviewed some data obtained from the State of Arizona regarding the compensation and employee related expenses for state employees working at state-operated Division of Developmental Disabilities (Division) group homes. Although this data was not included in the published methodology (RebaseBook 2008), the state employee employment related information was published as part of the Provider Survey documentation. In general, the information presented within this document was utilized to assist the CWG with the decisions incorporated into the Habilitation, Group Home service independent rate model.

With the presentation of materials to the provider and consumer/family communities questions have arisen regarding the equivalent costs for staffing and operating state-operated group homes. This document will detail the data reviewed for these operations.

Staffing Costs

In general, there are two primary components of staffing costs considered within an independent rate model (1) direct staff wages and (2) employee related expenses. The CWG was able to obtain data from the Division regarding staff wages paid (aggregated by home) for state-operated group homes. The statewide data for SFY2006 and 2007 is presented in Exhibit 1 following this document.

While Exhibit 1 depicts several categories of expenditures in addition to ‘Personal services’ and ‘ERE’ (employee related expenses), only these two expense items were considered. For the other elements of expense, the CWG learned that there are inconsistencies in the manner in which the expenses are tracked through the Division’s accounting system with some expenses captured at the home level and some expenses captured at the central office level.

In addition to the expenditures for personal services and ERE, the number of hours incurred, by job category, for State Fiscal Year (SFY) 2006 and 2007 was also made available to the CWG.

Direct Staff Wages

For SFY 2006 and 2007, three distinct data points were considered for purposes of comparison to the vendor-operated group homes. Based upon the hours incurred by job category, the “Composite Wage”¹ was constructed based upon the ‘entry wage’² and ‘mid-point wage’³ for wages paid to employees effective July 1, 2007. Although these wages do not apply to the timeframes in question, it was considered to be, on average, higher than the actual wages paid for the timeframes.

¹ Composite wage is the calculated weighted average wage paid based upon the hours worked within each job category.

² Entry wage is the minimum amount paid to the job category.

³ Mid-point wage is the middle of the range of pay available to a job category.

In addition to these data points, the overall average wage paid was calculated for each SFY using the overall cost for ‘personal services’ and the overall total hours by job category. The totals for these amounts are displayed with the composite wages for state-operated group homes, by SFY, in Table 1 below.

Table 1
Composite Wages for SFY 2006 & 2007

Composite Wage	SFY 2006	SFY 2007
Entry Wage	\$ 10.84	\$ 10.72
Mid-Point Wage	\$ 14.23	\$ 14.04
Overall Average	\$ 10.93	\$ 12.05

The detailed calculations for these figures can be found in Exhibit 2 attached to this document.

Employee Related Expense (ERE)s

To assist on the appropriateness of the application of the selected ERE⁴ for the Habilitation, Group Home independent model, B&A reviewed the specific ERE incurred for employees working in state-operated group homes.

The total ERE incurred for employees working in state-operated group homes was calculated as a comparison point using the percentage of costs for ‘ERE’ compared to costs for ‘Personal services’. The expenses for ERE exclude allocations from the Arizona Department of Administration (displayed as ‘Other ERE’). These two data points are displayed in Table 3 below.

Table 3
Calculated ERE for State-Operated Group Homes

SFY	Personal Services	ERE	ERE Percent
2006	\$ 3,707,449	\$ 1,405,645	38.0%
2007	\$ 3,930,923	\$ 1,576,567	40.1%

In light of some of the benefits afforded state employees (e.g. 8.6% for retirement), the CWG asserted that these benefit levels were comparable to the 34.5% utilized within the Habilitation, Group Home independent rate model. The data on ERE is available in Exhibit 1 attached to this document.

⁴ The ERE percentage selected by the CWG was set at 34.5% for wages less than \$17.00 and 30% for wages \$17.00 and above.

EXHIBIT 1
Arizona Division of Developmental Disabilities
SOGH Total Expenditures
SFY 2006 & 2007

Objt_Category	2006	2007
Personal Services	\$3,702,449	\$3,930,923
ERE	\$1,405,645	\$1,576,567
Other ERE	\$58,875	\$62,510
Dental Services External	\$7,455	\$4,678
Travel	\$4,077	\$2,538
Food	\$216,223	\$164,775
Advertising/Freight	\$1,024	\$4,079
Communications	\$20,845	\$44,383
Printing	\$23	
Repair and Maintenance	\$36,145	\$122,912
Supplies	\$1,048	
Other Supplies	\$43,767	\$54,049
Other Utilities	\$3,638	\$12,756
Misc Operating	\$42,940	\$40,893
Equipment	\$35,188	\$20,720
Summation	\$5,579,342	\$6,041,784

Personal Services	66.4%	65.1%
ERE	25.2%	26.1%
ERE Percentage	38.0%	40.1%
Other ERE	1.1%	1.0%
Dental Services External	0.1%	0.1%
Travel	0.1%	0.0%
Food	3.9%	2.7%
Advertising/Freight	0.0%	0.1%
Communications	0.4%	0.7%
Printing	0.0%	0.0%
Repair and Maintenance	0.6%	2.0%
Supplies	0.0%	0.0%
Other Supplies	0.8%	0.9%
Other Utilities	0.1%	0.2%
Misc Operating	0.8%	0.7%
Equipment	0.6%	0.3%
Summation	100.0%	100.0%

EXHIBIT 2
Arizona Division of Developmental Disabilities
 SOGH Job Category Hours Incurred
 SFY 2006 & 2007

Hours by Job Category ¹

	2006	2007
Job Category	Total All Facilities	Total All Facilities
HAB RESIDENTIAL SVS MGR	0.0	38.5
HAB SPV I	32,892.4	31,248.1
HAB SPV II	0.0	1,822.5
HAB SVC PROJ COORD	2,482.3	122.0
HAB TECH II	169,375.5	211,106.0
HAB TECH III	3,645.7	5,163.5
HUM/S SPCT II	731.0	0.0
HUM/S WORKER II	45.5	0.0
MENTAL HLTH PRG SPCT II	14,874.3	16,930.4
MENTAL HLTH PRG SPCT III	3,498.1	2,422.7
MENTAL HLTH PRG SPCT IV	2,222.5	2,138.5
SECY	720.0	80.0
Facility Total	230,487.3	271,072.2
Unassigned Hours	108,349.7	55,044.7

Composite Entry Wage ²

Facility Total	\$10.84	\$10.72
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² Calculations based upon assigned Job categories only

Composite Mid-Point Wage ²

Facility Total	\$14.23	\$14.04
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² Calculations based upon assigned Job categories only

Incurred Wage per Hour

Job Category	Total All Facilities	Total All Facilities
Personal Services	\$3,702,449	\$3,930,923
Facility Hours ³	338,837	326,117
Average Wage Paid	\$10.93	\$12.05

³ Hours included positions with unassigned job categories

Appendix 2
Enhanced Mileage Rate Calculations
Day Treatment, Urban & Rural; Group Home

Standard Mileage Rate Factors

Factor	Percent	Amount
Total	100.0%	\$0.445
Fuel	18.4%	\$0.082
Maintenance	8.1%	\$0.036
Tires	1.0%	\$0.005
License, Tax & Registration	6.8%	\$0.030
Insurance	9.3%	\$0.041
Depreciation	42.2%	\$0.188
Finance	14.2%	\$0.063

CWG Enhanced Mileage Rate Calculation

Factor	Day Program, Urban		Day Program, Rural		Group Home	
	Proposed	Revised	Proposed	Revised	Proposed	Revised
Days Operational	250	250	250	250	365	365
Days Attendance	225	225	225	225	365	365
Attendance Factor	90.0%	90.0%	90.0%	90.0%	100.0%	100.0%
Miles per Day						
Transportation to/from	50.0	40.0	80.0	64.0		
Program related	16.0	10.7	30.0	30.0	40.0	40.0
Total Annual Miles	16,500	12,675	27,500	23,500	14,600	14,600
Life of Vehicle (miles)	100,000	100,000	100,000	100,000	100,000	100,000
Life of Vehicle (years)	6.06	7.89	3.64	4.26	6.85	6.85
Cost Factors						
Vehicle Acquisition	\$48,000	\$32,000	\$48,000	\$32,000	\$48,000	\$32,000
Vehicle Salvage	\$16,000	\$1,000	\$16,000	\$1,000	\$16,000	\$1,000
Insurance Cost (Month)	\$300	\$200	\$300	\$200	\$300	\$200
Fuel	Standard	Adjusted	Standard	Adjusted	Standard	Adjusted
Maintenance & Tires (Annual)	Standard	Standard	Standard	Standard	Standard	Standard
License, Tax & Registration	Standard	Standard	Standard	Standard	Standard	Standard
Finance (Avg Annual)	Omitted	Standard	Omitted	Standard	Omitted	Standard
Cost, Life of Vehicle						
Fuel	\$8,200	\$20,008	\$8,200	\$20,008	\$8,200	\$20,008
Maintenance & Tires	\$5,100	\$4,100	\$5,100	\$4,100	\$4,100	\$4,100
License, Tax & Registration	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Insurance	\$21,816	\$18,936	\$13,104	\$10,224	\$24,660	\$16,440
Depreciation	\$32,000	\$31,000	\$32,000	\$31,000	\$32,000	\$31,000
Finance	\$0	\$6,300	\$0	\$6,300	\$0	\$6,300
Cost, per Vehicle Mile						
Fuel	\$0.082	\$0.200	\$0.082	\$0.200	\$0.082	\$0.200
Maintenance & Tires	\$0.051	\$0.041	\$0.051	\$0.041	\$0.041	\$0.041
License, Tax & Registration	\$0.030	\$0.030	\$0.030	\$0.030	\$0.030	\$0.030
Insurance	\$0.218	\$0.189	\$0.131	\$0.102	\$0.247	\$0.164
Depreciation	\$0.320	\$0.310	\$0.320	\$0.310	\$0.320	\$0.310
Finance	\$0.000	\$0.063	\$0.000	\$0.063	\$0.000	\$0.063
Base Enhanced Mileage Rate	\$0.701	\$0.833	\$0.614	\$0.746	\$0.720	\$0.808
Attendance Factor	90.0%	90.0%	90.0%	90.0%	100.0%	100.0%
Enhanced Mileage Rate	\$0.779	\$0.926	\$0.682	\$0.829	\$0.720	\$0.808

Appendix 3
Transportation Rate Model Assumptions
Urban & Rural

	Transportation, Urban		Transportation, Rural	
	Proposed Rebase Assumption	Revised Rebase Assumption	Proposed Rebase Assumption	Revised Rebase Assumption
Days in Service	225.0 days	225.0 days	225.0 days	225.0 days
Individuals in DT Program	16	16	6	6
Staffing Ratio	1:3.5	1:3.5	1:3.5	1:3.5
Staff in DT Program	4.6 staff	4.6 staff	1.7 staff	1.7 staff
Average Number of Staff per Van (FTEs)	2.0 staff	1.5 staff	2.0 staff	1.5 staff
Average Trip Length (Minutes)	45 minutes	60 minutes	60 minutes	75 minutes
Trips per Day	2.0 trips	2.0 trips	2.0 trips	2.0 trips
Average Time in Van per Day (Hours)	1.5 hours	2.0 hours	2.0 hours	2.5 hours
Number of Vans	2.0 vans	2.0 vans	1.0 vans	1.0 vans
Staff Hours	6.00 hours	6.00 hours	4.00 hours	3.75 hours
Individuals using Transportation Service	10	10	4	4
Mileage per person per day	10 miles	8 miles	20 miles	16 miles
Total miles	100 miles	80 miles	80 miles	64 miles
Cost per mile	\$0.779	\$0.926	\$0.682	\$0.829
Program Support Percentage	4.0%	4.0%	4.0%	4.0%
Administrative Percentage	10.0%	10.0%	10.0%	10.0%
TRA Benchmark Rate	\$10.64	\$10.42	\$18.12	\$17.27